Is the Tide Turning? Professional Advisers' willingness to advise about philanthropy

Working Paper No. CPNS 30

Dr. Kym Madden and Cameron Newton

Centre of Philanthropy and Nonprofit Studies
Queensland University of Technology
Brisbane, Australia

March 2006

GPO Box 2434
BRISBANE QLD 4001
Phone: 07 3864 1020
Fax: 07 3864 9131
Email: cpns@qut.edu.au
http://cpns.bus.qut.edu.au
CRICOS code: 00213J

The Centre of Philanthropy and Nonprofit Studies (CPNS)
is a specialist research and teaching unit at the
Queensland University of Technology in Brisbane, Australia.
It seeks to promote the understanding of philanthropy and nonprofit issues by drawing upon academics from many disciplines and working closely with nonprofit, practitioners, intermediaries and government departments. CPNS's mission is "to bring to the community the benefits of teaching, research, technology and service relevant to philanthropic and nonprofit communities".

The Centre of Philanthropy and Nonprofit Studies reproduces and distributes these working papers from authors who are affiliated with the Centre or who present papers at Centre seminars. They are not edited or reviewed, and the views in them are those of their authors.

A list of all the Centre's publications and working papers is available from the address below:
http://cpns.bus.qut.edu.au
CRICOS code: 002*13J*

ISBN 1 74107 116 X

Contents

EXECUTIVE SUMMARY

This report presents the descriptive findings of a study into the **attitudes and behaviour of Australian financial and legal professionals** relating to advising high net worth individuals about philanthropy. Of interest is whether advisers' attitudes and behaviours are changing and, if so, how and to what extent. It is one of the first Australian studies to investigate this topic. This report will be followed by further analyses of the factors driving advice in this area.

It follows an initial study in 2002 by Queensland University of Technology's Centre of Philanthropy and Nonprofit Studies (CPNS) that showed professional advisers rarely assisted clients with their philanthropic interests and expressed little interest in doing so (Madden, 2004). However, there were signs that this might not remain the case (e.g. pockets of enthusiasm evident in the data). Moreover, studies show professionals in the U.K. and the U.S. are increasingly active in helping to fulfil clients' philanthropic interests.

This issue of adviser assistance with philanthropy is of growing importance for several reasons:

(1) Wealth is escalating in Australia and elsewhere, and is expected to strengthen with the unprecedented transfer of wealth across generations over the next 40 years.

(2) Affluence allows individuals and families a greater capacity to engage in philanthropy and studies suggest many wish to do more in this way.

(3) There is a growing range of tax-effective vehicles and strategies available to the affluent to support their giving and finding the best way to give requires donors to identify the best options for their personal needs and interests.

(4) Affluent individuals and families tend to rely upon one or more professional advisers (such as financial advisers, accountants, private bankers, financial planners, or tax and estate lawyers) to assist them with their personal affairs. As such, they represent a key reference group for the affluent, providing independent high quality advice tailored to their needs and interests.

(5) In Australia, there is no advisory group that specialises in assisting with philanthropic decisions or where individuals can obtain reliable advice about philanthropy

This new study was able to tap the perspective of 115 Australian professional advisers of affluent clients, almost twice the number reached in 2002. Findings reveal a **marked increase in interest** to provide philanthropic advice generally and a group of advisers who are actively **providing philanthropic strategies** to their clients. Several key differences have been identified between advisers who provide philanthropic strategies for clients and those who do not.

On one hand, advisers who develop philanthropic strategies were more likely to have a vision of client service that embraced philanthropic advice and to believe there was demand for tax-effective philanthropic vehicles. In practical terms, they raised the subject of a client's philanthropic interests with clients without waiting for clients to raise it first and discussed a client's interests in this area. They generally felt informed about their clients' interest in giving, provided strategies to meet client needs and were more willing to refer them to experts outside their firm where this was helpful. Interestingly, they also made a contribution to the community themselves.

On the other hand, some advisers who did not develop philanthropic strategies were more likely to believe it was not their professional role to advise about philanthropy while others needed more appreciation of philanthropic options (and, possibly, familiarity with philanthropy in general) to guide clients. Commonly, they saw little demand for this advice but they also did not know much of their clients' interests in contributing to the community. While these advisers lacked capacity to provide philanthropic assistance, some were keener to do so than others.

From the findings, four categories of adviser are hypothesised – two 'active' and two 'passive' types. Further research is now needed to test differences and refine the model of adviser orientation to the provision of philanthropic assistance so that **the needs of different types of advisers** can be identified and addressed.

This study provides critical data for tracking and benchmarking changes in adviser attitudes and behaviour to the provision of philanthropic planning in Australia. It has also successfully trialled the potential for a single firm's benchmarking their advisory staff against the Australian advisory scene more generally.[1] In addition, it highlights the need for the development of industry and organisational infrastructure that enables the appropriate and professional delivery of client services with respect to philanthropic needs.

1.0 Definitions

For the purpose of this study, the following terms are used as follows:

'Philanthropy' – is used interchangeably with '**giving'** and '**philanthropic giving'**. It is used to refer to substantial financial support for a nonprofit organisation with the aim of alleviating or preventing community problems, or to improve life and living conditions for people and creatures that have no claim on the givers. This definition draws upon Bremner's (1994) definitions of both 'charity' and 'philanthropy' but for the purpose of this study does not distinguish between the two concepts. The term also implies that giving is planned rather than spontaneously engaged in by the giver (an individual or family).

'Develop philanthropic strategies' – is used interchangeably with '**develop charitable strategies',** and also with

- 'provide advice about philanthropy'
- 'provide philanthropic advice'

It refers to the behaviour of advisers who developed financial or legal strategies to meet the needs of clients interested in philanthropy.[2]

[1] This trial was conducted for a leading Australian financial advisory company which has an interest in providing philanthropic services. A confidential set of findings was made available to the firm. Note that all data for its staff was aggregated, following the University's strict ethical guidelines for participants' privacy. On-going CPNS research in this area will permit individual firms to track their team's behaviour and attitude over time, as well as in comparison to other advisers of affluent clients.

[2] Please note that the interchangeability of the terms 'philanthropic' and 'charitable' in this study was due to practical reasons only. Specifically, the term 'philanthropic' was used in question 5 to make the question as understandable as possible to advisers. 'Giving Australia' research suggests that the term 'philanthropy' is not a common term in Australia and may be taken to imply an activity that is only for the very rich (The Prime Minister's Community Business Partnership, 2005).

‘**Discussed philanthropic giving’** – refers to the topic of philanthropy being raised in client-adviser conversations in any way, by either party, at any time and in any depth. Thus, it refers to discussions ranging from the briefest of conversations on a single occasion to in–depth consideration of philanthropic giving over one or more occasions.

‘High net worth’ – used interchangeably with **‘affluent’** and **‘wealthy’** and refers to individuals who have investible assets of at least AUD$2.5 million or a taxable income of at least $250,000 in at least two consecutive years.[3]

‘Professional adviser’ – used interchangeably with **‘adviser’** (with the same general meaning as the U.S. **‘advisor’**) and refers to those paid to look after an individual’s or family’s personal financial affairs. Their role is commonly described as ‘financial adviser’ but professional descriptions may be used (depending on the qualifications and speciality of the adviser involved):

- accountants
- financial planners
- private bankers
- tax or estate lawyers (whose focus is on legal aspects of their client’s personal financial affairs).

‘Prescribed Private Funds’ (abbreviated to **‘PPFs’**) – refer to a new form of private philanthropic trust introduced by the Australian Government in 2000 to provide an additional option for philanthropy by individuals, families and businesses. It is characterised by its tax-efficiency for affluent donors, the ease with which it can be established, the greater degree of private control it allows, and the facilitation of giving over many years.

2.0 BACKGROUND TO THE STUDY

2.1 The relevance of the topic

The number of affluent people in the world has accelerated in the past decade and the intergenerational transfer of wealth over the next 40 years will see further substantial gains for the wealthy. Worldwide, high net worth wealth grew 8.2% in 2004 to $US30.8 trillion (excluding family homes), with the U.S. and the Asia-Pacific region leading the way (Merrill Lynch/Capgemini, 2005). Moreover, the wealth held at the upper end is projected to increase by 6.5% each year for at least the next five years (p. 2). Currently, there are 8.3 million millionaires (in U.S. dollars) across the globe, including 134,000 in Australia alone, with wealth based on shares, property and other assets.[4] In the U.S. the number of those with $10m or more in personal assets has grown to 338,000, almost tenfold in the ten years to 2001 (Aldrich, 2004).

While Australia’s population is relatively small, **the rate at which Australians are moving into the affluent bracket is noteworthy**. Together with Singapore, South Africa and Hong Kong, Australia has the highest growth in numbers of high net worth individuals in the world (Merrill Lynch/Capgemini, 2005). Not only are there more

[3] This definition is based on two sources: the Australian Security & Investment Commission’s definition of the ‘sophisticated investor’ and use of the term ‘high net worth’ by Goldman Sachs JB Were (pers.conv.with C.Thorn, 2005).

[4] Many differ on what constitutes being ‘wealthy’ but people with at least US $1 million in financial wealth are generally regarded as ‘an elite group’: while only accounting for 0.2% of the world’s adult population, they hold nearly 25% of its wealth (Merrill Lynch/ Capgemini, 2005, p.14).

millionaires than ever before but the average high net worth Australian is now worth AUD$4.1 million, not far below the world's average for high net worth individuals of $4.8 million. The Australian Bureau of Statistics calculates Australia's real private sector wealth to have jumped almost 77 per cent since 2000 to AUD$6.3 trillion, more than six times the annual gross domestic product and the highest level on record (The Australian Financial Review, 2006).

This trend towards affluence in Australia, the U.S. and other developed countries is expected to further strengthen (AMP, 2003). The main reason is the unprecedented transfer of wealth that is expected as the post-World War 2 generation dies, according to Paul Schervish and John Havens who have undertaken extensive modelling on this trend (Schervish, 2002; Gerloff, 2003). They predict that, in the U.S. alone, at least US$40 trillion dollars will be inherited over the 54 years between 1998 and 2052.

While some affluent people may find their bank balances shrinking as share and property markets fluctuate and they endeavour to maintain their lifestyle over a longer lifespan (Farrell, Ghai and Shavers, 2005), others will enjoy continuing growth in assets. The fortunes of the affluent will rest, in part, with the quality of financial advice they receive; the financial advisory industry is aggressively identifying gaps in service for the wealthy. For example, Merrill Lynch/Capgemini (2005) identifies the 12,000 high net worth Australians in the middle tier (those with assets of between AUD$5m to $30m) as an important under-serviced part of the market. In particular, this group of high net worth individuals appeared to be ill-prepared for wealth transfer.

For those people experiencing high levels of wealth - and there are growing numbers in this group - the issue arises of whether it is wise to leave very large amounts to one's children. Schervish suggests that for the first time in history people will face the situation of having **more money than they require or that they wish to leave to their children** (The Economist, 2004). This is significant because, naturally, one's first priority is to provide for oneself and one's family at a certain level of lifestyle. Once that is ensured, one is freer to engage in philanthropy. The capacity to be philanthropic depends more on the relationship between income and need (expenses), now and in the future, not solely one's wealth (Murphy, 2000). Thus, as the number of people whose personal income exceeds their need grows, it is likely that more money will flow through to the community sector. This is likely to come through both bequests and philanthropic giving during a donor's lifetime. Given even the most conservative projections of the growth of wealth expected to 2052, an increase in the level of giving by the wealthy is likely (Schervish, 2000).[5]

There is support for this argument. Researchers at the Centre of Philanthropy at Indiana University point to a growth in giving in the U.S. to almost 2.3% of the GDP in 2000, the highest level ever (The Economist, 2004).[6] In Australia, recent nationwide research suggests that in 2004, 87% of all adults donate money to community causes each year (up 18% since 1997) and the amount given totalled AUD$5.7b, which represents an increase in real terms of 58% in seven years (The Prime Minister's Community Business Partnership, 2005).

---

[5] Some caution should be used in using the terms wealth and income interchangeably as it appears that those whose incomes are increasing may make annual contributions at higher levels than those whose assets are increasing. In the area of bequests, overall wealth becomes more important (Schervish, 2000).

[6] In 2003, U.S. giving was approximately 2.2% of the GDP (The Economist, 2004).

While overall personal giving has increased, there is still a long way to go for the affluent. In the U.S. where the culture promotes philanthropy, the wealthiest one percent of Americans own 41% of the country's wealth yet donate only between 1 and 2% of their incomes each year to charity (Business Week, 2004). In the United Kingdom and Australia, the affluent give at relatively low levels (Asia-Pacific Centre for Philanthropy and Social Investment, 2004, 2005; Blackhurst, 2005). Australian Tax Office figures show that, in 2002-3, those with taxable incomes over AUD$1m claimed an average of $40,867 in deductible donations to community causes although this is likely to increase as late taxation returns are presented (CPNS, 2005).[7] While these donations are the largest, on average, of any income bracket, they represent only 1.4% of the taxable income of Australians who claim philanthropic deductions.

On a positive note, 64% of Australians with taxable incomes of $1m or more make a claim for philanthropic giving, the highest of any income bracket; their average donation is also higher (CPNS, 2005). Further, there is evidence that the affluent are interested in giving. In one U.S. study, more than 80% of high net worth households reported wanting to do more financially for the community (Prince, 2000). This attitude consistently showed through in workshops with 1600 affluent Americans (Breiteneicher, 1996) as well as in focus groups and in-depth interviews with the affluent in Australia (The Prime Minister's Community Business Partnership, 2005). Indeed, high net worth Australians not only expressed a willingness to support community causes but believed it was their responsibility to do so. This view is supported by the satisfaction that affluent donors experience in giving. As Australian businessman David Gonski puts it (2005, p.13):

> *'My involvement [in philanthropy] has given me enormous joy and…much more meaning to what I am doing than just the more narrow business life that is my day to day existence…the belief that I am doing 'good' things has helped me to justify why I am here and where I am going.'*

Further, as ageing populations across the world strain governments' ability to adequately meet welfare needs, there is likely to be increasing community need. The call for the affluent to support nonprofit organisations to fill the gaps in the provision of community welfare may intensify.

At the same time, affluent donors are becoming more active. Many are interested in providing strategic input to ensure the sustainability of the nonprofit in achieving its mission (Pepin, 2005). Consider the emergence of the 'social entrepreneur', a new breed of donor who actively seeks 'practical solutions to social problems by combining innovation, resourcefulness and opportunity' (Hartigan and Billimoria, 2005, p.19). Similarly, 'venture philanthropists' who invest substantial funding or human resources with social returns in mind, is a growth area. Venture philanthropy is characterised by high donor engagement over several years and the application of a business-like approach to generate alternative sustainable income for a nonprofit organisation (Pepin, 2005).

Other parties adding to the momentum of philanthropy are nonprofit organisations, government, and professional advisers as potential intermediaries between the donor and the community. They are addressed briefly, in turn.

1. **Nonprofit organisations** are under escalating pressure to grow existing and new sources of income (Bendapudi, Singh & Bendapudi, 1996). Not only do they face

[7] It should be noted that taxable income does not represent all personal income. Also, only some giving can be claimed as a deduction: recipients must be deemed Deductible Gift Recipient (DGRs) organisations to be eligible for a tax deduction.

increasingly restricted and highly competitive government service contracts but they are expected to feel the burden of expanding community need as the population ages. In Australia, demand for services outstripped nonprofit income by 6.8% in 2003-4 (ACOSS, 2005). As a result, the sector is likely to seek greater returns for their fundraising efforts: this means seeking large gifts and bequests for these are potentially the most cost-effective forms of fundraising. Thus, nonprofit organisations will seek to cultivate relationships with affluent individuals (The Prime Minister's Community Business Partnership, 2005) and they will be increasingly asked to give (Schervish and Havens, 2000; Havens, Schervish & O'Herlihy, 2003). In return for deeper donor involvement (Cugliari, 2005), there is expected to be stronger pressure on the nonprofit sector to be accountable to them (The Economist, 2001; The Institute of Chartered Accountants in Australia, 2003). Donor education is likely to be a critical ingredient if the affluent are to give, supported by such as networks such as planned giving advisory groups that give access to professional advisers (Cohen, 2002).

2. **Governments** are also focused on growing philanthropy. For example, the U.K. Giving Campaign aimed to lift personal and business giving over a three-year period through social change and tax incentives (The Giving Campaign, 2001a, 2002b, 2003 and 2004). In Australia, the Prime Minister's Community Business Partnership was established in 1999 to develop national strategies for philanthropy, including tax incentives for more substantial giving.

   Tax is one of the key levers governments can use to encourage overall levels of giving (Johnson, Johnson & Kingman, 2004). While there is little evidence to suggest people give *because* of tax concessions, they encourage a higher level of giving by the affluent (The Prime Minister's Community Business Partnership, 2005). The high level of giving in the U.S. is a result of many factors, including the importance of religion in that country to harness giving, but its tax structure appears to be one of the more important stimuli (Lyons, 1994).

   In Australia, there is now a range of tax-effective vehicles available to the affluent to facilitate their giving, which are attracting growing attention (see www.partnerships.gov.au). For example, several hundred Prescribed Private Funds (PPFs) have been established since their introduction in 1999 which give a range of benefits to donors who have some money but are not necessarily the very rich (Schmidt, 2005). Bequests to philanthropic organisations are also likely to attract more attention by the wealthy after recent changes in Australian tax laws (Gonski, 2005). Further changes to tax law to encourage philanthropy are currently under examination. Increasingly, the choice of philanthropic strategy requires strategic consideration of a donor's intentions and desired outcomes, as well as of their personal circumstances.

3. **Professional advisers.** High net worth individuals require expert financial and legal advisers to wade through changing, complex taxation and superannuation regulations in order to determine the most effective investment strategies for their circumstances. This role is increasingly important to protect and grow their clients' already substantial asset bases, and to integrate these investments. Professional advisers - investment professionals, private bankers, estate and financial planners, and insurance advisers - are needed for philanthropic decisions, too (Johnson, Johnson & Kingman, 2004). They commonly involve tax and inheritance issues with which the adviser can assist. Indeed, high net worth individuals can be poorly prepared in dealing with wealth transfer issues (Merrill Lynch/Capgemini 2005). Also, they provide neutral advice that is trusted, which may not be claimed for nonprofit representatives who have a stake in the outcome. Finally, in Australia, there is no advisory group that specialises in

assisting with philanthropic decisions or where individuals can obtain reliable advice about philanthropy. The financial and legal adviser is best placed to perform this function, for both those individuals who know what they want to achieve as well to assist 'individuals of means who are not yet philanthropically active…in uncovering their "hidden" philanthropic potential (Johnson, Johnson & Kingman, 2004, p.24). The need to assess philanthropic options wisely underscores the role of the professional adviser (Van Hyfte, 1996).

Advisers represent a key reference group for the affluent regarding philanthropy (Asia-Pacific Centre for Philanthropy and Social Investment, 2005). They have the potential to help clients define their philanthropic goals and provide independent and informed advice that helps them meet these (Karoff, 1994). At the very least, advisers need to be aware when clients are donating several thousand dollars to charity and be prepared to discuss tax-effective avenues (Schmidt, 2005).

While evidence suggests that advisers generally do not pass on to clients information about new tax-efficient methods of giving (MORI, 2002), clients who believe they have received high quality advice about giving are much more likely to give again (Prince, 1998). In fact, advisers 'have enormous influence on how individuals [and] families…perceive and act on opportunities for philanthropic giving [as well as] how those clients feel about the outcomes' (TPI, 2004, p.4). They can provide a conduit for philanthropic giving that meets the wishes of the affluent (Cugliari, 2005). Wealthy donors look for philanthropic solutions that meet their circumstances and needs and want their advisers to assist them with these (Stone & McElwee, 2004).

Overall, there is a strong increase in both the number of high net worth individuals in Australia, as well as elsewhere, and in the attention being paid to them for their philanthropic potential. How professional advisers view the provision of advice about philanthropy is critical (TPI, 2004). Not only will it impact directly on 'the quantity and quality of philanthropic capital in service to society' but also on client satisfaction in contributing to this greater good (p.4).

2.2 How advisers view their role

There are relatively few studies of how advisers view their role, with much of the work emanating from The Philanthropic Initiative (TPI) a Boston-based nonprofit philanthropic advisory service and research commissioned by The Giving Campaign in the U.K. In Australia, an initial study of advisers was conducted by QUT's Centre of Philanthropy and Nonprofit Studies in 2002 (Madden, 2004).[8]

Nevertheless, several studies confirm an increasing number of U.S. and U.K. advisers **interested** in advising their high net worth clients about philanthropy, and having the skills and resources to do so (The Giving Campaign, 2004; TPI, 2000, 2004). They are increasingly becoming cognisant of the opportunity 'to serve their clients more fully [and gain] a competitive practice advantage in the bargain' (TPI, 2004, p.4). In Australia, the number of firms providing specialist assistance with philanthropic planning services, for example Goldman Sachs JBWere and Freehills continues to grow.

[8] CPNS has identified this area of research as being of long term importance to the nonprofit sector in Australia and also highly relevant to the advisory field. It intends to track adviser behaviour and perceptions over time and to complement surveys with qualitative studies of clients and advisers, in collaboration with key stakeholders. For more information, see http://cpns.bus.qut.edu.au .

Yet studies also show that many **professional advisers remain reluctant to discuss philanthropic giving** with their clients, with accountants being the least likely to do so (Johnson, 2000; TPI, 2004). Commonly, advisers lack 'hard' technical tax knowledge as it relates to philanthropy but they also can be reticent about the 'soft side', drawing out a client's personal motivations and goals (Cohen, 2002). Aside from a lack of knowledge and expertise (Prince, 1998; The Giving Campaign, 2004), they may not have the will to do so. For example, advisers can be uncomfortable with this role or, alternatively, they may not personally see the value in giving to charity (Dan, 1993; The Giving Campaign, 2004). Interestingly, the majority of advisers who actively discuss philanthropy with their clients see themselves as philanthropic (Johnson, 2000).

Moreover, some advisers who say they ask about a client's interest in philanthropy are engaging their clients in only a cursory way (TPI, 2004). For example, a study of 150 advisers in the U.S. showed that advisers largely focused on the tax consequences of giving in discussions with their clients (Breiteneicher, 1996). Another showed that advisers moved quickly to solutions without discussing a client's motivations and values (Johnson, 2000). A recent study of Californian advisers showed that the vast majority use a transactional approach rather than a longer term, values-based, planning approach (TPI, 2004). Indeed, findings suggested that once a client shows disinterest, few advisers explore their attitudes in any depth and only half of the advisers revisit the topic at a later stage although it varies by professional group (TPI, 2004).

Furthermore, advisers largely selected philanthropic strategies for clients based on such basic considerations as:

- their ease of use and administration;
- the extent to which they afforded control by the client; and
- client preferences.

Most common strategies for giving offered by advisers were:

- direct gifts;
- use of private foundations and/or trustee-governed philanthropic trusts;
- institutionally managed philanthropic trusts;
- community foundation donor-advised funds; and,
- commercially branded funds.

Advisers with more than 20 high net worth clients commonly preferred private foundations and donor-advised funds at community foundations, in part because they could better manage assets and collect residual income (TPI, 2004).

In terms of whether advisers offer their clients referrals to other professionals for additional assistance with philanthropy, although 87% of Californian advisers claimed to refer clients, a national study of U.S. advisers showed far less inclination to do so (TPI, 2000, 2004).

What contributes to this reluctance in discussing philanthropy with clients? Qualitative research (TPI, 2004) suggests barriers lie in:

- disinterest in the subject by advisers;
- discomfort in discussing client values;
- perceived client discomfort in discussing philanthropic interests;
- perceived client disinterest in the subject;
- time and billing constraints to getting to know a client;
- desire to avoid family conflicts; and
- unfamiliarity with the mechanics of philanthropic giving.

Finally, advisers show interest in a range of different kinds of resources and support. TPI's Californian study (2004) showed that advisers were at least somewhat interested in resources such as 'how to' articles in professional journals (seen as 'very helpful' by 36%) , a single volume of philanthropic options (34%), educational materials to share with clients (32%) and local community foundation 'adviser help lines' (31%). They highlighted the need for non-technical resources on philanthropic planning to share with clients.

Overall, three adviser profiles have been suggested (Johnson, 2000, p.7):

(1) 'Initiators' who are proactive in raising the topic of philanthropy with clients and are motivated to assist clients with philanthropy for both personal and business reasons;

(2) 'Facilitators' who see that offering philanthropic advice is important but feel they lack skills and are concerned about damaging the client relationship;

(3) 'Followers' who follow the client's lead in discussing philanthropy, and limit the kind of advice they provide to tax concessions, if they do so at all.

Of interest is the extent to which today's advisers in Australia are similar to their overseas counterparts, and whether they have changed in the assistance they are willing to offer. Now that the literature has been broadly canvassed, we now turn to the aims of this study.

3.0 THE AIMS OF THIS RESEARCH

The purpose of this study was fourfold, to:

1. Determine the extent to which professional advisers are advising their high net worth clients about philanthropy;

2. Determine the attitudes of advisers to advising their high net worth clients on philanthropy;

3. Identify resources relating to the provision of philanthropic advice most wanted by advisers;

4. Explore the factors likely to influence an adviser's behaviour to develop philanthropic strategies for high net worth clients.

From these, six research questions underpin this study:

1. To what extent do professional advisers assist clients with philanthropy?

2. To what extent do advisers perceive their clients engaging in philanthropy?

3. What are the attitudes of advisers to assisting clients with philanthropy?

4. How do advisers perceive the attitudes of clients who engage in philanthropy, or not?

5. What resources are seen as most helpful to advisers for assisting clients with philanthropy?

6. What, if any, factors are important in distinguishing between advisers who do, or do not, assist clients with philanthropy?

4.0 METHODOLOGY

This section establishes the framework for this investigation. In particular, this section explains the overall approach taken by the researcher, sampling method, survey development and how data was collected. A profile of those who participated in the survey is given, and issues that arose in the collection of the data identified.

4.1 Research approach

Survey method was chosen as the most appropriate way of investigating the research questions as these mainly concerned establishing the extent to which adviser held particular attitudes or engaged in particular behaviour. Qualitative input (using informal interviews with financial and legal advisers) was used to develop survey questions and response categories (see section 4.4).

4.2 Sampling method

The population of interest comprised Australian professional advisers of high net worth individuals (see section 1.0 for definitions). This focus on high net worth clients was justified because more of those on higher incomes give to community causes and they give larger amounts, as noted. [9]

The **number** of advisers fitting this profile is unknown but expected to be relatively small at between 2,000 and 3,000.[10] This takes into account Australian Tax Office figures which show there are only 7,750 individuals with assessable incomes over AUD$500,000 a year (Australian Taxation Office, 2003). As high net worth individuals may use a variety of strategies to reduce their assessable income, this figure is very conservative. Secondly, it is estimated that we have 134,000 millionaires in Australia (in U.S. dollars) (Merrill Lynch/Capgemini, 2005) and it is assumed that an adviser may counsel many clients especially as clients vary in how much time they require (findings confirmed that some advisers counselled over 80 clients). Further, while advisers range in **age** from mid 20s to over 60, most are likely to be between 30 and 60 years old and there are relatively few **female** advisers. Regarding their **location**, most are likely to be based in Melbourne or Sydney although they exist across the country in capital cities and key regional centres (Thorn, pers. comm. 2005).

Overall, a **network strategy** employing both telephone and email communication was employed to obtain survey participants whereby advisers circulated the survey within their work environments as well as to colleagues at other firms, with a note of support and encouragement to participate. This method was chosen due to the difficulty of identifying advisers of high net worth clients as no lists were available and the advisory field is a highly pressured one where advisers are likely to be inundated with information and missives.

In more detail, the sample was obtained through a number of steps. First, a list of advisory firms offering financial strategies was compiled using database searches in

[9] It was not essential that advisers only counselled high net worth clients but that they frequently did so and that it was quite common to have a high net worth client.

[10] While financial advisers must be registered at ASIC (the Australian Securities and Investment Corporation), the vast majority of advisers do *not* counsel mainly high net worth clients. A breakdown of financial advisers by client base is unavailable.

all states. This list was refined with input by a panel of financial advisers, using CPNS's financial adviser contacts and their referrals located in different Australian cities. Using this list, contact was made with potential participants. Qualified advisers (those with affluent client bases) were then asked two things: firstly, to complete the survey themselves and, secondly, to circulate the survey invitation by email to their work colleagues (including the survey's URL). The researchers also re-contacted as many advisers as possible to send a follow-up email within their networks to prompt advisers who had postponed completing the survey. Thus, information about the survey was sent from adviser to adviser, as widely as possible within existing adviser networks.[11] Telephone call backs were made to advisers to ensure advisers were happy to co-operate and that they had received an appropriate invitation to circulate. Several call backs were made as required and changes to messages also made to meet different situations. Personal endorsement by advisers was sought to draw attention to the invitation and lend credibility to it, with the purpose of increasing responses. As well, anonymity was guaranteed to survey participants through the University's ethical guidelines and protocols.[12]

To complement this approach, professional associations in the financial advisory, accounting and trust law fields were successfully approached to publicise the survey and invite participation by members. In addition, promotional material aimed at different professional groups was prepared to raise awareness of the survey and its URL, and to attract additional participants. In this way, national publicity was received for the survey.

Finally, in drawing the sample, two large advisory firms requested **independent aggregation of data** for their team of advisers, for comparison against the overall findings. Due to low participation by advisers in the second firm, analysis was possible only for one and their report is confidential for commercial reasons. However, the potential for leading advisory firms to benchmark their own advisers against industry standards now exists. Privacy for an individual adviser's responses is guaranteed.

4.3 Participant profile

Survey participants were predominantly male, between 30 and 59 years old, living mainly in Sydney, Melbourne, or Brisbane and most commonly describing themselves as financial advisers. Most did not describe themselves as substantial givers themselves.

Do they match the profile of advisers generally?
As noted, there is no documented demographic profile of advisers in Australia who counsel high net worth individuals about their financial affairs. Therefore it is not possible to claim this sample is representative of the wider adviser population. Nevertheless, anecdotal evidence about this group (see above) suggests that the sample *does* broadly reflect the characteristics of advisers of high net worth clients.

[11] Specifically, adviser participation was invited by an email message, with a click-through link to the survey's secure URL on the University's server. This was most commonly accompanied by a telephone call by the research team, either to the head of a group of advisers or to individual advisers themselves. The telephone was used to build interest in the survey and to gain their co-operation by participating in it themselves as well as circulating it to other potential participants.

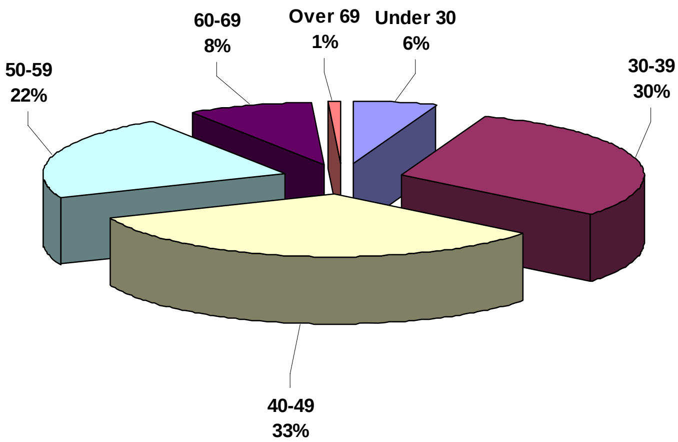
[12] At the same time, anonymity made it difficult for the research team to know whether people who agreed to complete the survey actually did so. Although electronic notification was received as surveys were submitted (so the level of response could be gauged) the identity of respondents was not revealed.

Can the findings be generalised to all advisers?
Caution needs to be shown in extrapolating findings to all professional advisers providing personal financial or legal advice to affluent clients. It is likely that data may be weighted in favour of advisers interested in providing philanthropic advice, based on the difficulty of converting invitations extended to surveys actually completed (see Section 4.5).

Does the 2005 sample compare with that of 2002?
Yes and no. The main difference was sample size. Due to easy on-line access to the survey, a shorter questionnaire and a network approach to finding participants, sample size almost doubled from 66 advisers of high net worth clients in 2002 to 115 in 2005. This provides a more substantial, useable data set. Apart from this, the demographics of participants were generally similar, with some minor differences in age (slightly more advisers are over 50 years and fewer are under 40 years old in this study) and location (more in this study lived outside the eastern seaboard capitals).

Age of respondents. Figure 1 shows that most participants fitted into one of two age categories of respondents, either 40 to 49 years or 30 to 39 years (33% and 30% of all respondents, respectively).

Figure 1: Respondents by age (N =109)



The full breakdown was:

- 6% were under 30 years;
- Almost 30% were aged between 30-39 years;
- Some 33% of respondents were aged between 40 and 49 years;
- Almost 22% were aged 50-59 years;
- 8% were between 60 and 69, with 1% over 69 years.

By location. Advisers in this survey were from mainly Sydney, Melbourne and Brisbane (27%, 24% and 25% of all participants, respectively). The remaining one quarter were drawn from diverse locations around Australia, both cities and regional locations. For example, there were seven participants each from Perth and regional Queensland (6% each of the total).

Gender. Respondents comprised 94 males (82%) and 15 females (13%), with 6 respondents (5%) not reporting their gender.

By professional category. By far the largest professional category represented in the survey was Financial Advisers (41% of the 115 participants). Following well behind were by Accountants (20%), Financial Planners (17%), and Family/Estate Lawyers (10%). The number of private bankers was negligible despite invitations to participate.

By engagement in giving behaviour themselves. One third of participants said they personally engaged in substantial philanthropic giving themselves (33.3%), while the majority said they did not (60.8%).

By number of high net worth clients. Overall, 51 participants (44%) reported advising up to 20 high net worth clients in the past year, with a further 42 respondents (37%) advising between 20 and 50 such clients. Only 10% of advisers counselled between 50 and 80 high net worth clients and 4% reported over 80.

4.4 Survey questions

The survey comprised 52 questions in three main categories:

1. Adviser behaviour and attitudes including motivations and barriers to providing philanthropic advice;

2. Perceived client behaviour and attitudes about engaging in philanthropy; and

3. Preferences for resources that would support the provision of philanthropic advice.

Many questions used a Likert format (where respondents were asked to decide their position on a continuum of response options) and comprised a mix of open and closed questions, with the purpose of capturing views as accurately as possible.

The questionnaire was based on a pilot study of Australian financial advisers by CPNS in 2002. This, in turn, was based on a comprehensive U.S. study of advisers in 2000 by The Philanthropic Initiative (TPI). The final questionnaire (shown in Appendix 1) represents a shortened and refined set of questions to better suit the Australian context, with lessons learned from the pilot study. It also broadened its scope to other professionals, not just those describing themselves as financial advisers, who counsel high net worth clients about their financial or legal affairs.

As well, several new questions have been added to provide pertinent information such as how informed advisers feel they are about providing philanthropic advice, how interested they are personally in doing so and what they would need to become more interested in this service area. Faced with a lengthy survey, it was decided to cut questions that generated data of limited use, to keep the survey easy to complete. Due to the relatively small number of advisers in Australia, in keeping with its modest population, it was critical to maximise responses. Advisers of high new worth clients are under time pressure in their working environment and this study sought to gain participants who were not necessarily interested in providing philanthropic assistance to clients.

Prior to the protocol (questionnaire) being developed, the chief researcher interviewed six advisers to gain both general insights into the perspective of Australian advisers as well as specific feedback about the earlier study's protocol. As a result, some additional questions were incorporated and some dropped for the sake of brevity. Response options also allowed for participants to add extra data as required. The draft protocol was then tested with 10 professional advisers for relevance and clarity of questions, relevance and comprehensiveness of answer categories, and overall appeal and user-friendliness. Refinements were incorporated into the final protocol used for this study. For a comparison of questionnaires used in 2005 and 2002, see Appendix 1 and Madden (2004).

4.5 Data collection

As noted, a personal, network approach was taken in inviting participation to ensure a useable response rate for the study. Data took just over three months to be collected, from July to September, 2005. The main difference between this and CPNS's 2002 survey was the shift from a paper-based survey to **on-line completion** with automatic submission. This was justified by the improved ease of completion for participants. Advisers work in an electronic environment and are highly likely to have access to and use electronic communication on a daily basis. Thus this survey format is easy for participants to complete and return. This was confirmed in protocol development through discussions with advisers and in piloting the proposed survey.

The main implementation challenge was recruitment. The targeted group did not exist as one 'group' but were pockets of individuals with diverse job titles scattered over a wide range of organisations and locations across Australia. Those lists that were available tended to be large professional association or staff lists, where only a small number fit the study's focus. Also, the advisory industry experiences high turnover and movement of staff and the limited lists that existed were commonly out of date. To a large extent, advisers worked with their select clients in a low key, private manner and thus they were relatively difficult to access. Once found, they were generally co-operative but a sizeable number chose not to participate themselves, instead choosing to pass on the survey to colleagues they thought would be suitable participants. This was taken to mean those who had some interest in advising about philanthropy. Thus, a proportion of advisers declined to participate apparently due to the survey's topic, despite assurances that all views were valid and keenly sought by the research team. For more discussion of recruitment approach and issues, see Appendix 2.

Overall, the strategy of distributing the survey through a wide range of networks was successful in reaching deeply into the advisory field. Evidence for this was that after exhaustive circulation of the survey, fresh contacts reported already having received the survey. Due to a range of tactics to encourage participation (personal approach, recommendation by other advisers, brevity of the survey and on-line format), the number of participants almost doubled over the first study. However, there is some evidence that the survey attracted those likely to be interested in providing philanthropic advice, as well as a range of advisers who were not.

5.0 FINDINGS

Turning now to the study's findings, this section first explains the use of two adviser profiles then presents the responses for each question.

In all, approximately half of all participants reported providing philanthropic strategies for interested clients (44%), and half reported that they did not (46%).[13] This has proven extremely valuable for analysis because **sufficient data is now available to**

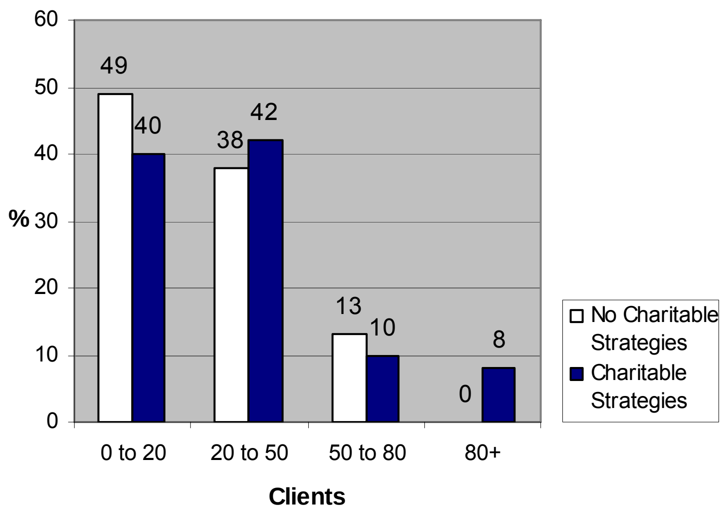
[13] See Question 5 in the protocol. Please note that all adviser behaviour in this study is self-reported and not independently observed; also that adviser perceptions of client behaviour and attitudes are just that, and may not represent actual situations. Nevertheless, understanding advisers' perceptions is of interest in its own right as it informs any intervention or campaign aimed at advisers.

examine each of these two types of adviser. This represents a very substantial development from the first Australian study in 2002 where only 14% of Australian advisers reported helping their high net worth clients with philanthropy, with the overwhelming majority (86%) saying they did not (Madden, 2004). Therefore, while one should be cautious about generalizing overall findings to the adviser population due to the difficulties of random sampling without a list of targeted advisers (see Section 4.2), one can examine in detail the similarities and differences between the two types of adviser. Findings are discussed below.

5.1 Number of high net worth clients counselled by advisers

Overall, advisers who develop philanthropic strategies tended to see more clients in the previous twelve months than those who do not (see Figure 2 below). These active advisers were fairly evenly divided between those who counselled up to 20 clients and those with 20 to 50 (40% and 42%, respectively). Only a small proportion had more than 50 clients. However, only these advisers had over 80 high net worth clients (8% of the sample). This may reflect some degree of specialisation in the provision of philanthropic advice; advisers may be called upon within their team to assist with client needs.

Figure 2: Number of high net worth clients that advisers counsel.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



In contrast, advisers who did *not* provide philanthropic advice to clients commonly reported 20 or fewer clients (49%), with a lower proportion of advisers as the number of clients increase (38% had 20 to 50 high net worth clients and 13% for between 50 and 80 clients). That is, there was an indirect relationship between number of advisers and client base for advisers who do not provide philanthropic advice, while there was a two-tier plateau relationship for advisers who assist clients with their philanthropic interests.

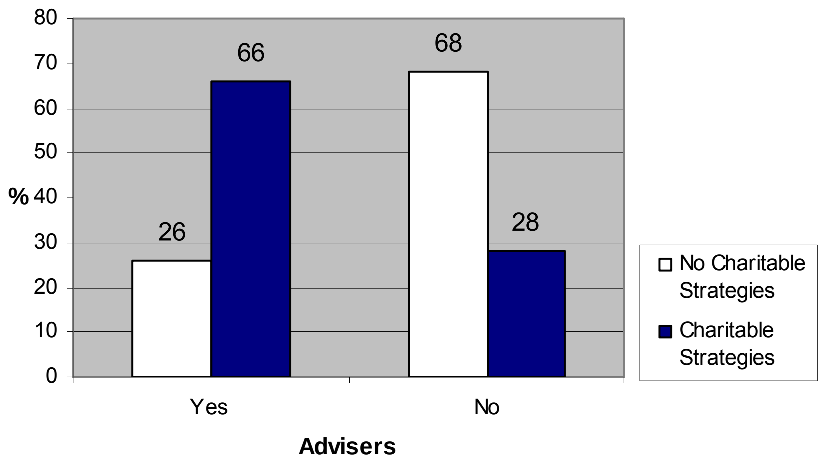
These findings are similar to the 2002 findings where three quarters of advisers had counselled 10 or more high net worth individuals in the past year, and half had over 20 (75% and 50%, respectively).

5.2 The extent to which advisers ask about a client's philanthropic interests

The majority of advisers who develop philanthropic[14] strategies for clients say they ask clients about their interest in giving as part of their assessment of client needs (66% of all advisers in this group). In contrast, only a *minority* of advisers who do not provide philanthropic advice to clients did so (26%) as Figure 3 shows.

This is a starkly different finding from the previous study in 2002 when some 75% of all survey respondents said it was *not* their policy to ask clients about any interest in philanthropic giving (Madden, 2004).

Figure 3: The extent to which advisers asked about a client's philanthropic interests in assessing their needs
Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N = 98)



5.3 The extent to which advisers wait for clients to raise the topic

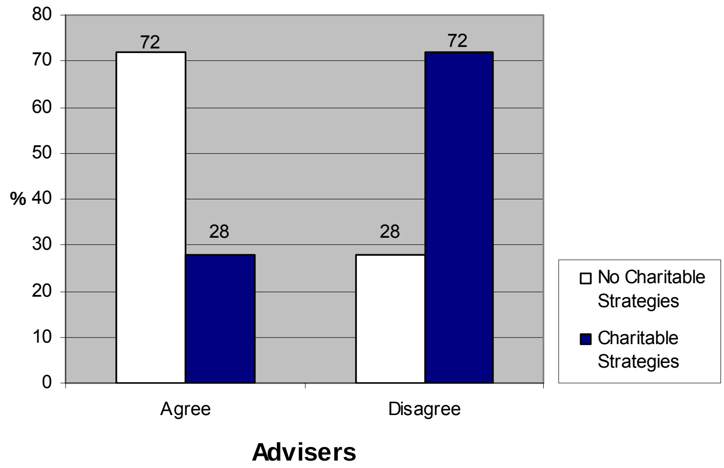
Findings also show a large difference between the two types of adviser for how passive a stance they take in discussing philanthropy with clients. Almost three quarters of those who develop philanthropic strategies for clients are proactive in raising the topic of giving in a discussion with clients (72%), as Figure 4 shows.

In sharp contrast, the same high proportion of advisers who do not develop philanthropic strategies say they wait for the client to raise the issue first (72%).

These findings suggest that some advisers have become far more proactive in the past three years. In 2002, 68% of all advisers surveyed agreed that they tended to discuss philanthropic giving *only* when the client has expressed an interest first.

[14] In the protocol, the terms 'charitable' and 'charity' are used, not 'philanthropic' and 'philanthropy'. This is explained in Section 1.0.

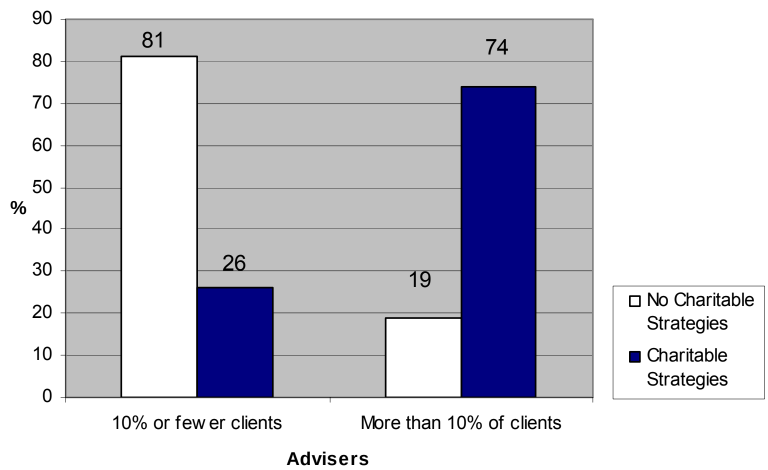
Figure 4: The extent to which advisers normally wait for clients to raise the topic of philanthropy before discussing it with them.
Note: the percentage of advisers nominating each category is on left axis**.** (N =103)



5.4 The extent to which advisers discussed giving with clients

Almost three quarters of advisers who develop philanthropic strategies report discussing philanthropic giving with over 10% of their high net worth clients (74%). In contrast, only 19% of advisers who do not providing philanthropic strategies do so, as the following figure 5 shows.[15]

Figure 5: The extent to which advisers have discussed giving with their clients.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



There is no doubt that philanthropy is a 'no-go zone' for many professional advisers. The overwhelming majority of advisers who do *not* develop philanthropic or philanthropic strategies for interested clients discuss giving with 10% or fewer of their clients (81%), no matter who raises it first. This figure suggests that it is rare for clients to raise the issue, either, with these advisers.

[15] Discussions need only be short to qualify – see definitions in Section 1.

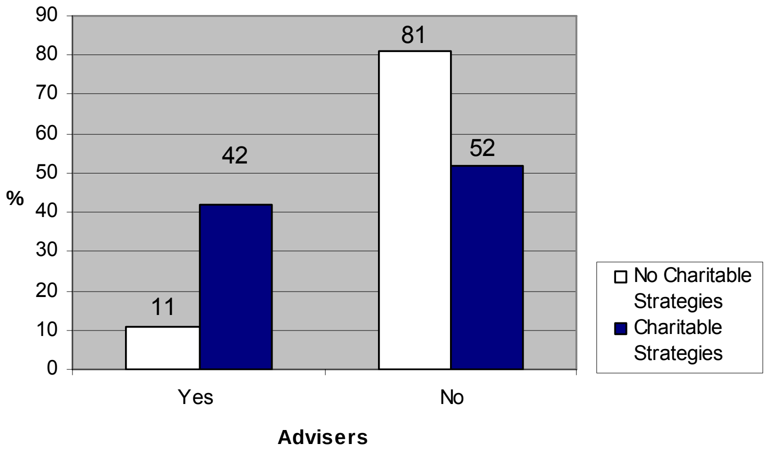
It is interesting to note that over a quarter of advisers (26%) who develop such strategies for clients say they have discussed giving with 10% or fewer of their clients (see Figure 5). This shows there is still a group who are not very active in exploring the philanthropic interests of clients even though they are capable of assisting clients in this way. It is also intriguing to consider that one in five advisers who do *not* develop philanthropic strategies still talk about philanthropic giving with more than 10% of their clients. If clients are initiating this discussion, it shows client demand for philanthropic assistance exists; if advisers are, there appears to be scope to improve their follow through with services for clients.

These findings differ somewhat with the 2002 survey findings, in that some 75% of all advisers at that stage reported discussing philanthropic giving with 10% or more of their clients. While this painted a fairly positive picture, overall findings show that philanthropy was not a top of mind issue for advisers then; indeed, almost 19% of advisers said they had not discussed it with any clients at all (Madden, 2004).

5.5 The extent to which advisers offered referrals to clients

Again, findings differ between advisers who do, and those who do not, provide philanthropic strategies for clients. Over 40% of advisers who develop such strategies also referred clients externally to meet their philanthropic needs, as the following figure shows.

Figure 6: The extent to which advisers refer clients to external others for assistance with philanthropic giving.
Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N =96)



While it might be expected that those who do *not* develop philanthropic strategies are more likely to refer clients to others who may be of assistance this is not the case. In fact, those assisting clients with philanthropy were more likely to refer clients to other experts outside the adviser's own firm, thus expanding their service to clients. For example, clients may be referred to a lawyer, a nonprofit organisation or other type of expert who could assist decision-making.

Only the occasional adviser *not* providing philanthropic strategies did so (19% of these advisers). Of course, far fewer of the latter group actually discussed philanthropy with clients so no firm conclusions should be drawn about their willingness to refer clients. The opportunity to refer was smaller.
What is interesting is that over 50% of advisers who assist clients with philanthropy do not refer them to people outside the firm who may be of further assistance to clients. The reasons for this are not clear - they may wish to retain the client's

business and fear that referring a client is risky or, alternatively, they may not have a comprehensive set of contacts – and thus, this issue is a key area to pursue in future qualitative research.

These findings suggest that advisers may be referring clients to a *lesser* degree now than three years ago. The 2002 study suggested that just *under half* of all advisers referred clients to others for assistance with their philanthropic giving. In 2005, this was true only for those advisers providing philanthropic strategies: the number was half that for others. For the record, the 2002 study found that a variety of sources relied upon (with the two most commonly used being philanthropic foundations and lawyers); the 2005 study did not ask this question because of its additional questions not covered in the 2002 study and the limits of survey size.

5.6 Perceived client use of philanthropic vehicles

Generally, professional advisers believed relatively few clients use a private trust or foundation (including Prescribed Private Funds), a community foundation or a Trust Company (such as Perpetual Trustees or ANZ Trustees). In contrast, client interest in giving upon death was more commonly reported; findings underscore the perceived popularity of bequest giving.

Figures 8 to 11 illustrate this pattern of perceived low use of philanthropic vehicles. They also show that advisers advising in philanthropy consistently report higher client use of philanthropic vehicles than those who do not provide such advice.

These findings are similar to adviser perceptions in 2002 when only a small percentage of clients were believed to use these types of philanthropic vehicles. However, some caution should be shown with direct comparisons because methods for collecting data differed in the two surveys. Perceived client use of each avenue for philanthropy is addressed in turn.

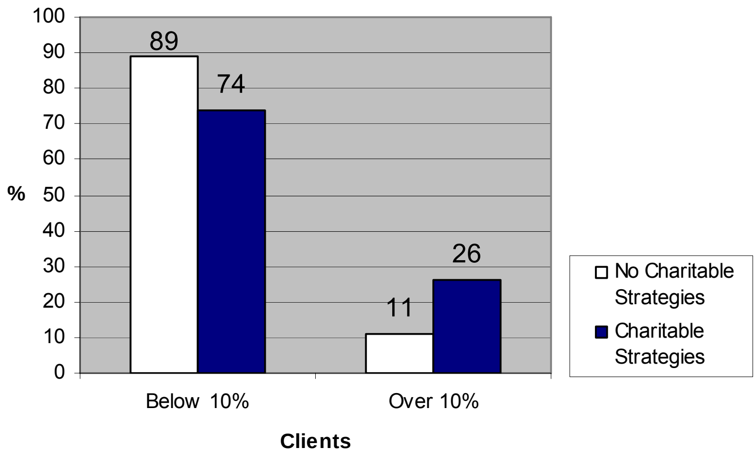
5.6.1 Private Trusts including PPFs

Overall, private philanthropic trusts (which are governed by clients themselves and include PPF structures) were seen as a philanthropic vehicle that is infrequently used by high net worth individuals, as Figure 8 shows. Nevertheless, advisers who assist with philanthropic strategies reported higher usage than those who do not.

- Three quarters of advisers who assist with philanthropic strategies believed that 10% or fewer of their clients used private foundations as a philanthropic vehicle (74%). An overwhelming majority of advisers who did *not* develop philanthropic strategies for clients agreed (89%).

- One in four advisers who provide such strategies believed *more than* 10 per cent of their high net worth clients used a private trust such as a PPF as a philanthropic vehicle. (26%). Yet just over one in ten of those who did not offer such strategies agreed (11%).

Figure 8: The extent to which advisers perceived clients using Private Trusts including PPFs as an avenue for philanthropic giving.
Note: the percentage of advisers nominating each category is on left axis. (N =103)

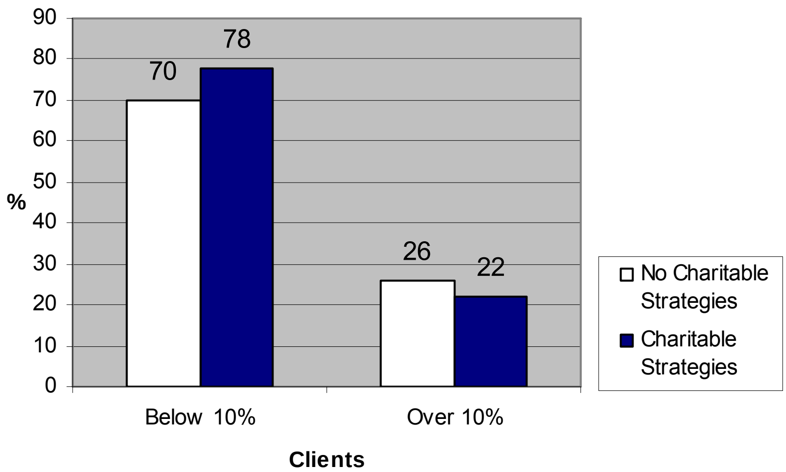


These findings show advisers have *not* substantially changed their views since 2002 when 75% of advisers reported that 10% or fewer of their clients used private foundations or philanthropic trusts. In this study, 74% of advisers who provide philanthropic advice reported this, compared to 89% of advisers who do not provide such advice. It is difficult to draw firm conclusions about this except to suggest that there may be slightly more advisers today who see a low use of private trusts by clients; certainly more of such advisers have participated in this survey.

5.6.2 Community Foundations

The majority of advisers also believed that fewer than 10% of their clients used a Community Foundation for philanthropic giving (70 and 78% of advisers who do and do not provide philanthropic strategies, respectively), as Figure 9 shows.

Figure 9: The extent to which advisers perceived clients using a Community Foundation as an avenue for philanthropic giving.
Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N =103)



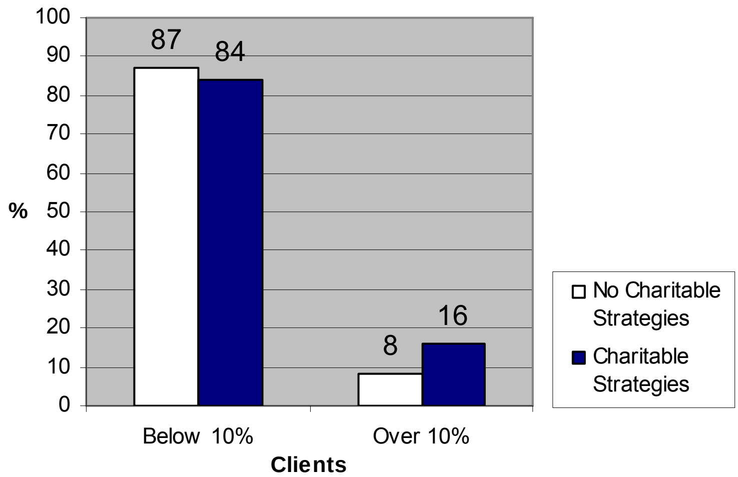
It is interesting to note, however, that advisers who do *not* provide clients with philanthropic strategies saw Community Foundations as more popular with clients than private trusts or use of a trust company (26% believing more than 10% of clients used this avenue). A similar proportion of both types of adviser believed more than 10% of clients used this avenue for giving (22%, and 26%, respectively). These findings suggest that community foundations are becoming a more popular avenue for giving, at least from the perspective of the adviser who does not develop philanthropic strategies.

In 2002, advisers generally perceived community foundations as less widely used by high net worth clients than private philanthropic trusts; this survey shows that while this still may be the case for advisers who do provide philanthropic advice (numbers are close), it does not hold for those who do not provide such advice (see Figures 8 and 9). In both surveys, however, only a small proportion of advisers reported more than 10% of their clients involved in either philanthropic vehicle.

5.6.3 Trust Companies

Findings show that trust companies such as Perpetual Trustees or ANZ Trustees are perceived as less popular amongst clients than private trusts and community foundations. An overwhelming majority of both types of adviser believed that 10% or fewer of their clients used a Trust Company (over 80% for both), as the following figure shows. Just 8% of advisers who do *not* develop philanthropic strategies for clients believed over 10% of their clients used a trust company, versus 16% of advisers who provided such strategies. This may be because trust companies are themselves not only specialist charity administrators but also act as financial advisers. Thus it may be hypothesised that an affluent individual using a trust company is unlikely to use a different financial adviser.

Figure 10: The extent to which advisers perceived clients using a Trust Company as an avenue for philanthropic giving. Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N =100).

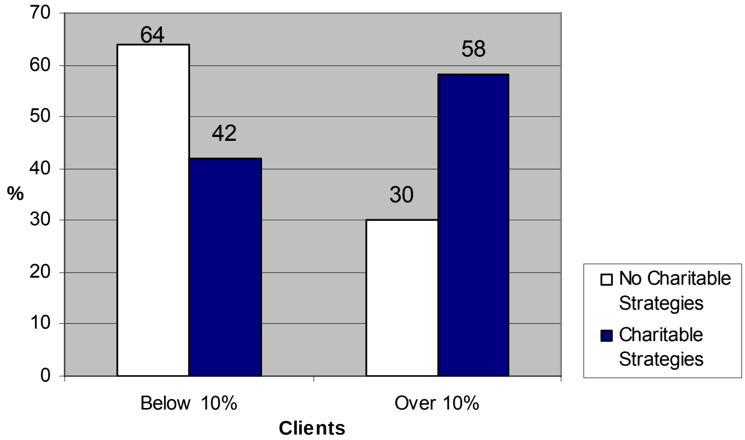


5.6.4 Bequests

With respect to bequests, almost 60% of advisers who develop philanthropic strategies believed more than 10% of their affluent clients intended to leave a large bequest to charity upon their death. Just under a third of advisers who do not provide such strategies believed this to be true for their clients, yet this was a higher proportion than for other avenues for giving (30%). That is, advisers generally saw bequests as a *relatively common* way that high net worth individuals wish to give.

Nevertheless, there was a marked difference in the views of advisers who do, and do not, develop philanthropic strategies, as Figure 11 shows.

Figure 11: The extent to which advisers perceived clients using a Bequest as an avenue for philanthropic giving. Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N =100).



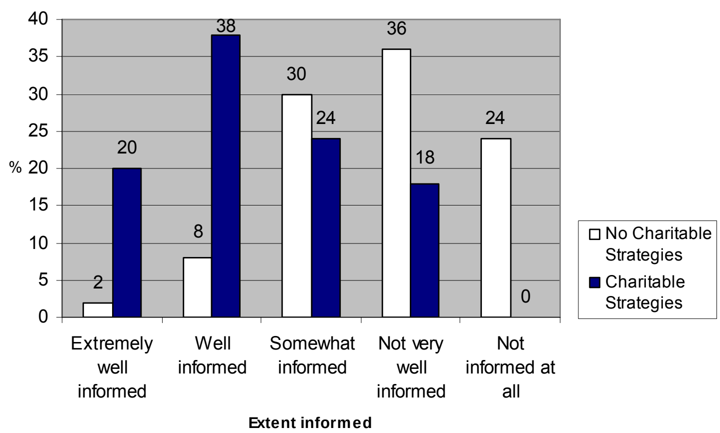
5.7 How informed advisers are about their clients' philanthropic interests

Perhaps not surprisingly, most advisers who provide philanthropic advice to clients believed they were well informed or better about their clients' philanthropic interests (58%) In turn, advisers who do not provide philanthropic advice were largely unfamiliar with their clients' philanthropic desires.

Some 60% of these advisers saw themselves as not very well informed or not informed at all (with almost a quarter in this latter category). The contrast between the two types of adviser is illustrated in Figure 12 on the next page.

Almost four in ten advisers who provide philanthropic advice felt 'well informed' about their clients' interests (38%), while fewer than one in ten advisers who did not provide philanthropic advice said this (8%). It is worth noting that nearly 20% of those who currently provide philanthropic strategies to clients believed they were 'not very well informed' about their clients' philanthropic interests.

Figure 12: How informed advisers perceive themselves to be about clients' philanthropic interests.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



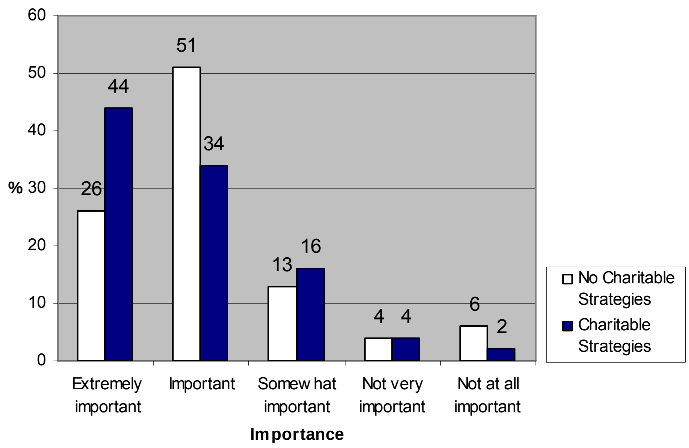
5.8 Motivations to provide advice about philanthropy

Findings point to three key motivations to provide advice to clients about philanthropy: it can reduce a client's tax obligation, it can contribute to client satisfaction, and because giving is seen as a worthwhile thing to do. [16] These are addressed in turn:

1. **Tax reduction for clients** as a motivation was measured by advisers agreeing with the statement, 'By planning wisely, philanthropic giving can reduce taxes'. Indeed, over three quarters of *all* advisers see this as either an important or extremely important reason to provide philanthropic advice, as Figure 13 shows.

   This belief was intensified for advisers who provide philanthropic advice: almost 20% more of this group believed it was extremely important than did those advisers not providing philanthropic advice. There were negligible differences between advisers for other response options.

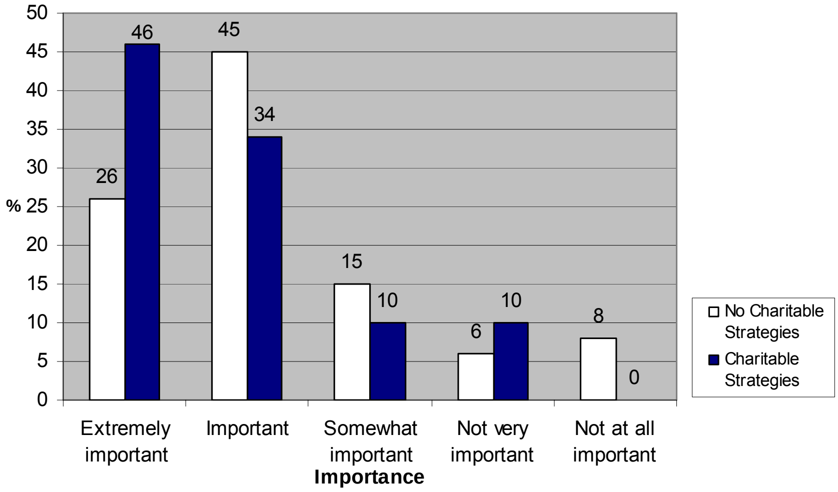
Figure 13: Reducing taxes for clients as a motivation to provide philanthropic advice.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



2. **Client satisfaction** as a motivation was reflected by advisers agreeing with the statement, 'People can find a lot of satisfaction in giving'. At least 70% of all advisers see this as either an important or extremely important reason to provide philanthropic advice, as Figure 14 shows. However, again, the belief was *intensified* for advisers who provide philanthropic advice: 20% more of this group believed it was extremely important than did those advisers not providing philanthropic advice. As above, there was also little difference between advisers for other response options.

[16] Advisers were asked to rate the importance of each of five potential motivations to them personally to provide philanthropic advice to clients using a five point Likert scale. These motivations were drawn from previous research (TPI, 2000 and Madden, 2004) and qualitative interviews in this survey's development.

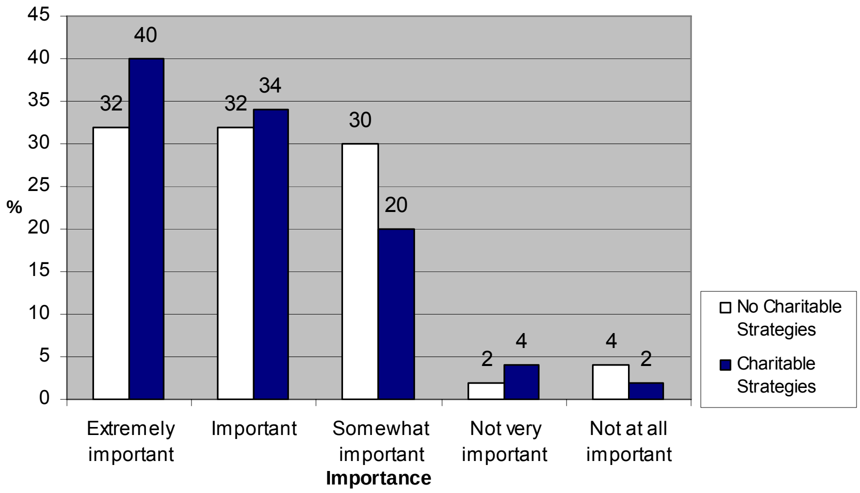
Figure 14: Contributing to client satisfaction as a motivation to provide philanthropic advice.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



3. **Importance of making a difference** as a motivator was reflected by advisers agreeing with the statement, 'It is important to make a difference if they can'.[17] Again, advisers showed a high level of support for this motivation, as illustrated in Figure 15. Well over half of all advisers thought this was either an important or extremely important reason to provide philanthropic advice.

   Advisers who do not provide philanthropic advice were divided almost equally between 'somewhat important, 'important' and 'extremely important', showing *more diverse* responses to this motivation than for tax or client satisfaction where there was more general agreement for these being 'important'.

Figure 15: 'It is 'Important to make a difference if they can' as a motivation to provide philanthropic advice.
Note: the percentage of advisers nominating each response is shown on the left axis. (N = 103).

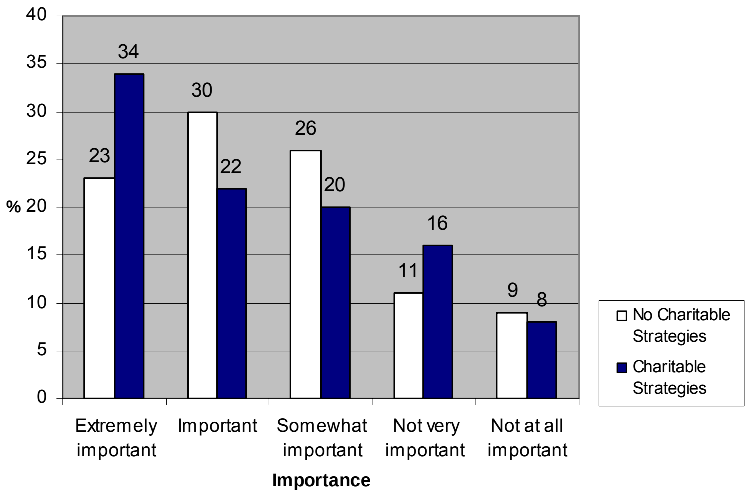


[17] This question may have been interpreted as 'important to make a difference if clients can' or if advisers can, or if both can. In all cases, it reflects an underlying belief that philanthropy can 'make a difference' and a personal value that this is a worthwhile thing to do.

The two remaining motivations – the client having few family ties and the adviser wanting to provide an overall service to clients – received more divided support by advisers.

Just over half the advisers who develop philanthropic strategies for clients thought a client having *limited family ties* is important or extremely important in motivating philanthropic advice; indeed, over a full one third of this type of adviser believed it was extremely important (34%), as Figure 16 shows. The remainder of this group were less convinced, for example, almost one quarter thought it was of negligible importance (24%).

Figure 16: Limited family ties by client as a motivation to provide philanthropic advice.
Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N=103).

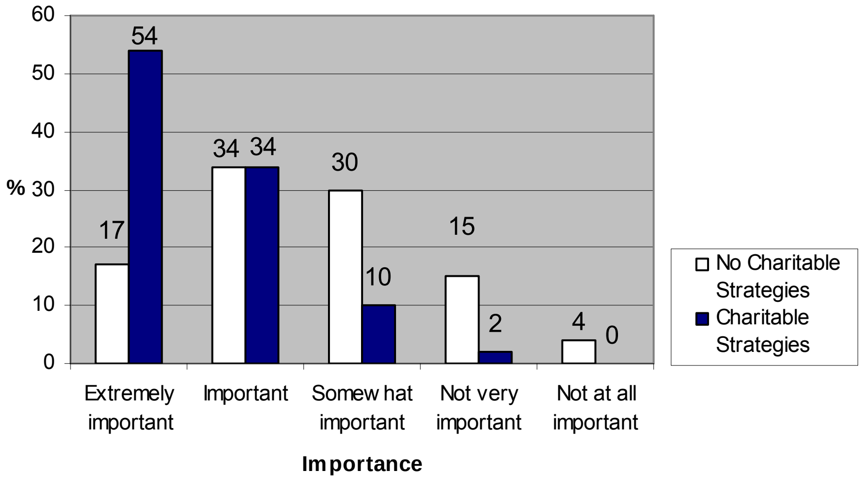


There was even more reticence shown by advisers not providing philanthropic advice: these advisers split almost evenly between believing this to be a more or less important motivation. Thus it appears that a client having few family ties can contribute to an adviser being interested in providing philanthropic advice but it is usually insufficient on its own.

There was far stronger support for the motivation of **service vision** (measured as advisers agreeing that 'provision of such advice should be part of their overall service to clients') but only for advisers who provide philanthropic advice to clients. Almost nine in ten of these advisers thought providing philanthropic advice as part of their overall service was important or extremely important.

What about less important motivations? While advisers who provide philanthropic advice showed greater support for all motivations suggested than did advisers who do not provide such advice, one difference did emerge. Advisers differed in what they believed was *least* important to them. For those who do *not* provide philanthropic advice, it was seeing such advice as part of their overall service; 19% described this as either not very important or not at all important. For advisers who provide philanthropic advice, it was a lack of family ties; 24% described this as either not very important or not at all important.

Figure 17: Offering an overall service as a motivation to provide philanthropic advice.
Note: the percentage of advisers nominating each category is on left axis. (N = 103).



These findings are similar to, but generally stronger than, those in 2002. At that time, the most important motivations for advisers to assist clients with philanthropy was that giving can provide *personal or family satisfaction* followed by the potential to *reduce taxes* if planned wisely (nominated by over 70% and over 50% of all advisers, respectively, with the remainder taking a neutral position rather than disagreeing).

In 2002, advisers were lukewarm about the concept that it is important for people to make a difference if they can (as well as the notion that nonprofit organisations can use the money more wisely than the government, which was not included in this survey due to low support from Australian advisers). Thus, advisers are showing increased support for motivations to assist clients with philanthropy.

5.9 Barriers to providing advice about philanthropy

Findings suggest that the main barrier [18] facing advisers is being unsure about how to meet a client's philanthropic needs, which was nominated by 42% of *all* advisers as being either important or extremely important.

This figure was pushed up substantially by advisers who do *not* provide philanthropic strategies: 40% believed this was an important barrier to them and a further 11% believed it was extremely important. Not surprisingly, barriers appeared to be greater for advisers who did *not* develop philanthropic strategies than for those who did. Even so, some of these advisers discounted their importance (without suggesting alternative ones).

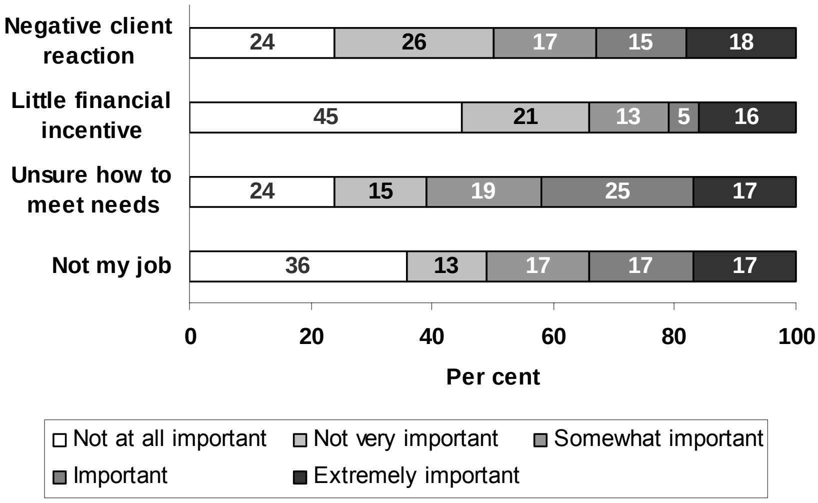
What barriers were most important? As well as a concern about their capacity to advise about philanthropy, as noted, was a concern for both types of adviser about how clients would react and the possibility of a negative client reaction in raising the topic with them. Further, for advisers who do *not* provide philanthropic advice, there was a concern that providing such advice fell outside their professional role.

[18] Four potential barriers were suggested to advisers based on previous research (TPI, 2000 and Madden, 2004) and qualitative interviews in this survey's development. In addition, advisers were asked to name any other barriers or reasons that exist that constrain them personally in an open-ended question.

In general, advisers were hesitant in identifying barriers to providing philanthropic advice: for each of the potential barriers suggested, approximately half of all advisers described these as not very, or not at all, important, as Figure 18 shows. Yet a gap exists for many between what they are currently doing (or not) and their interest in this area (see sections 5.12 and 5.14). The reasons for this are unclear and it is proposed to explore these further in future qualitative research.

How do these findings compare with the earlier Australian study? Both sets of findings show variance by advisers in perceptions of barriers. However, in the earlier study, there was stronger agreement on what was *not important* than on what was important for choosing not to discuss philanthropy. Current findings add to an understanding of what actual barriers might be within the advisory sector: issues relating to their perceived capacity to provide advice, how they manage client communication and their perceived job role.

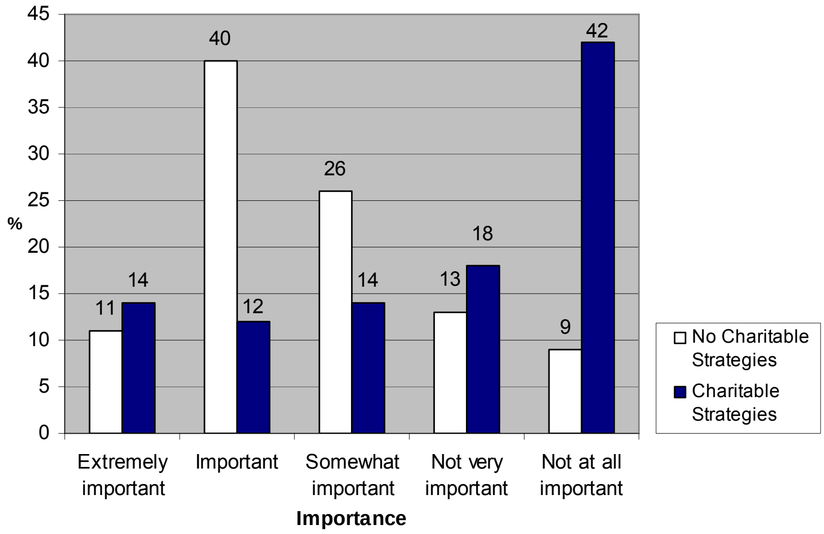
Figure 18: Perceived barriers to providing philanthropic advice – all advisers



5.9.1 Capacity

As noted, feeling unsure of being able to meet client needs is a concern for advisers generally but *especially so* for those not currently providing philanthropic advice to clients. Some 51% of advisers who do *not* develop philanthropic strategies described this issue of capacity as either important or extremely important to them personally. A further quarter of these advisers believed it was somewhat important in constraining the provision of advice in this area (26%), as Figure 19 shows. Only one in five said capacity was not important as a barrier (22%).

Figure 19: Feeling unsure about how to meet client needs as a barrier.
Note: the percentage of advisers nominating each category is on left axis. Percentages that do not add to 100 are indicative of non-responses. (N = 103).



While capacity did not bother six out of ten advisers who develop philanthropic strategies for clients, it was at least somewhat important to the remaining 40%. Indeed, a quarter of all these advisers felt capacity was an important or extremely important issue for them personally. This range of views suggests that advisers providing philanthropic advice differ in important ways (see Section 6.2).

5.9.2 Fear of a negative client reaction

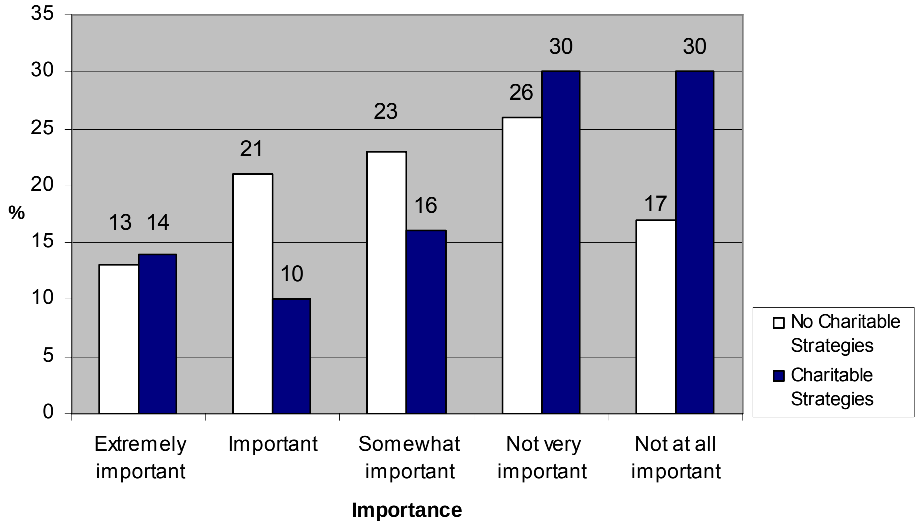
While there was a mixed level of concern that raising the topic of philanthropic giving could provoke a negative client reaction, as Figure 20 shows, this barrier was real for a sizeable group of advisers.

Who felt this issue was of concern? Well over half of the advisers who do *not* develop philanthropic strategies perceived this as a barrier of at least some importance (57%), and for a third of these, it looms as important or extremely important. Even four in ten advisers who provide philanthropic advice saw it as at least somewhat important in constraining their provision of philanthropic advice (40%), with a quarter describing it as either important or extremely important to them personally.

On the other hand, the majority of advisers who develop philanthropic strategies, and a large group of those who do not, were unperturbed by what their client's reaction may be. They saw this as either not very important or not important at all (60% and 43% of advisers, respectively).

These findings show that, like the issue of capacity, advisers' perceptions and needs vary and further investigation is recommended to help understand these differences.

Figure 20: Fear of a negative client reaction as a barrier.
Note: the percentage of advisers nominating each category is on left axis. (N = 103).

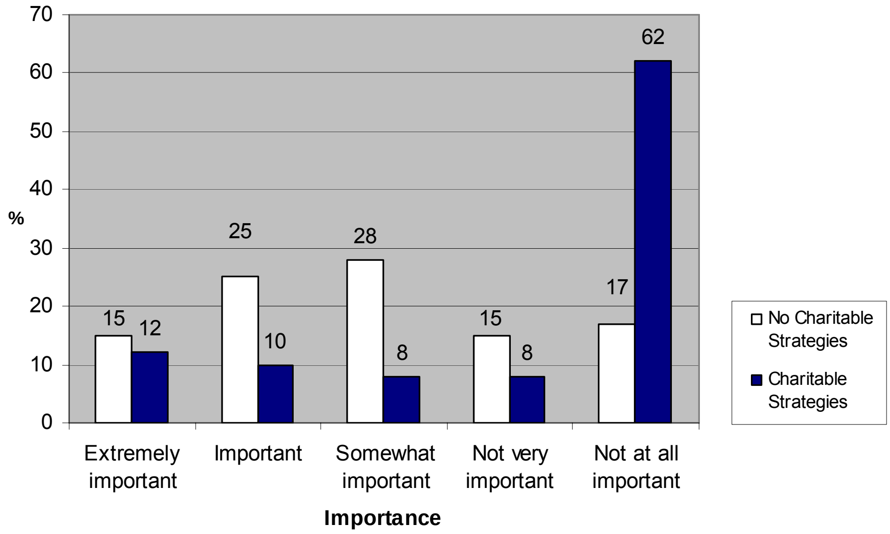


5.9.3 Professional role

Over 60% of advisers advising clients about philanthropy chose the most extreme rejection of this item as a potential barrier – they felt any role concerns were of *no importance at all*, as Figure 21 shows.

In contrast, more than two thirds of advisers who do *not* provide philanthropic advice described role concern as at least of some importance in constraining their behaviour (68%). Indeed, 40% of this group deemed this barrier either as important or extremely important for them personally. It would be interesting to explore the variance between advisers here.

Figure 21: Providing philanthropic advice is not part of the job as a barrier.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



5.9.4 Financial incentive

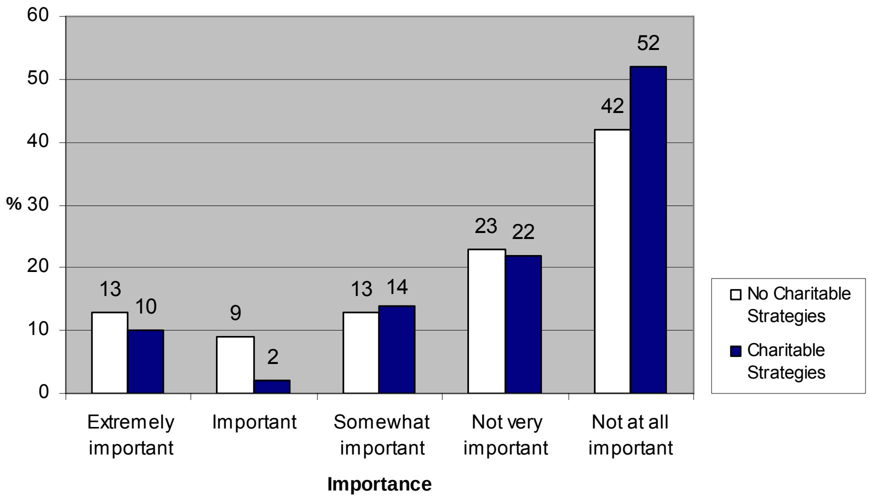
Findings suggest that money is not a huge barrier for advisers in providing philanthropic advice (see Figure 22). Overall, only about one in ten of all advisers described the issue of financial incentives as an extremely important barrier

For 74% of those who provide such advice, it is reported to be a relatively inconsequential barrier or no barrier at all; this is the case for 65% of those who do *not* provide such advice.

These findings should be treated with some caution because anecdotal evidence suggests it is a constraint for advisers. There may be some distortion of responses due to advisers possibly not wanting to be seen as greedy in the provision of philanthropic advice and qualitative research is recommended to probe this issue with participants.

Findings may reflect the ability of advisers to make a reasonable income from providing philanthropic advice (such as in income derived from managing funds in philanthropic vehicles) or the expectation that this is possible. This barrier was not investigated in 2002 so a comparison is not possible. It was suggested as a possible barrier in qualitative research but this is upheld only for a small group of advisers.

Figure 22: No financial incentive for providing philanthropic advice as a barrier.
Note: the percentage of advisers nominating each category is on left axis.
(N =103).



5.9.5 Qualitative findings

Advisers were asked for any additional barriers or comments regarding barriers and 12 useable responses were received. These reinforced the importance of identified barriers discussed above; an extra barrier was perceived low demand by clients for philanthropic advice, as Figure 23 shows. At least one comment reflects the enthusiasm felt by some advisers actively advising in this area.

Figure 23: Qualitative comments on barriers

Category	No. of comments	What advisers said
Poor capacity	4	*'Many advisers are unaware of the various strategies that can be employed in this regard.'** *'Most are ignorant of how to advise clients on this matter.'** *'Financial [advisers] are not qualified to give this type of advice.'* *'We are not qualified to give this type of advice.'*
Client reaction	2	*'It could damage the relationship.'** *'I feel I am imposing on the client to ask.'*
Perceived job role	2	*'[There is] conflict between selling an altruistic service and our desire to get paid for managing the money [and also] we don't feel it is our business…unless it is raised first.'* *'There are too many other things to cover…more likely many years into a relationship.'*◊
No demand	3	*'Some clients feel it is private/personal.'** *'High net worth clients know their own intentions.'* *'Most clients do not see this as an area they wish to pursue'* ◊
No barriers	1	*'I see no barriers.*
Total	12	

* statement from adviser who provides philanthropic strategies
Unmarked: statement from adviser who does not provide philanthropic strategies
◊ type of adviser not able to be determined

5.10 Motivations for philanthropy

We turn now to advisers' understanding of their affluent clients' motivations for philanthropy. Advisers were in agreement that a key reason for high net worth individuals to be philanthropic is **passion** for an issue, cause or organisation, where givers care deeply about a cause or organisation. This motivation was supported by over 90% of advisers who provide philanthropic advice to clients and almost 70% of advisers who do not, as Figure 24 shows.

Advisers who assist clients with philanthropy identified two additional key motivations triggering giving by the affluent:

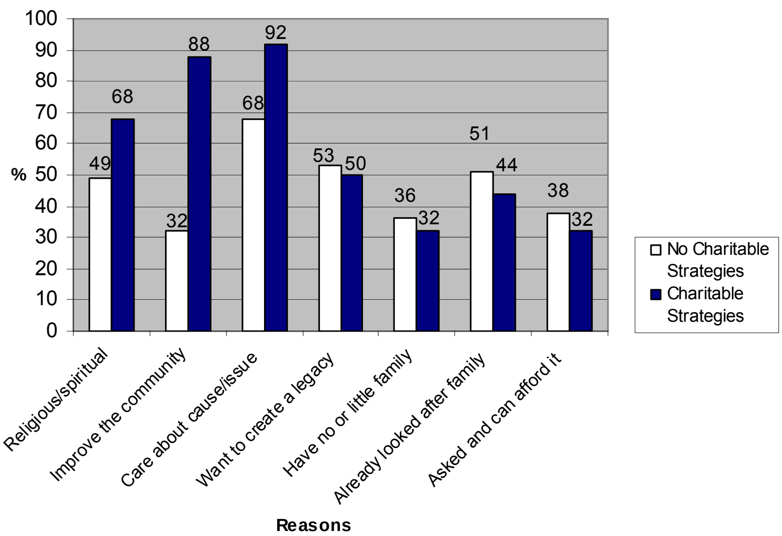
- wanting to **improve** the community (nearly 90% in agreement);
- **spiritual or religious** values or beliefs (nearly 70% per in agreement).

In contrast, advisers who do *not* assist clients with philanthropy tended to rate all reasons - except passion – more evenly (see Figure 24). That is, they did not distinguish to the same extent between reasons for giving.

Overall, there was consensus by advisers that having little or no family was *not* an important trigger for philanthropy, and neither was just being asked when one could afford it. A further motivation that rated low by advisers who do *not* provide philanthropic advice was 'to improve the community' (32% of these advisers versus

88% of advisers who provide philanthropic advice). This difference is intriguing; qualitative research is likely to inform on this issue.

Figure 24: Key reasons that high net worth individuals engage in philanthropy – the adviser perspective.
Note: the percentage of advisers nominating each category is on left axis. (N =103).



Generally, results support earlier findings that suggested *passion* (caring greatly about a cause, issue or institution) is a compelling motivation for philanthropy, from the advisers' perspective (Madden, 2004). While the previous study suggested a second compelling reason for the affluent to give was the desire to improve their community, this study shows this to be true only for advisers who provided philanthropic advice to clients. This study shows only a third of those who do not provide such advice regard this as a primary motivation for philanthropy. There was a similar level of support for other reasons, including religious or spiritual motivations, from 2002 to 2005.

5.10.1 Qualitative findings

Advisers were asked for *additional* motivations to explain philanthropy and seven useable responses were received. These related to tax, personal identity or values, wanting to contribute and seeing need in the community, as Figure 25 shows.

Figure 25: Qualitative comments on motivations

Categories	No. of comments	What advisers said
Tax benefit	3	*'[They want a] tax deduction.'** *'[Looking for a] tax shelter.'**
Personal identity/values	2	*'[They are] looking for meaning in life.'** *'They reach a point in life where priorities change.'*
Contribute or improve things	1	*'[They want a] sense of contribution.'**
Problem/ or need exists	1	*'[They] see a need.'**
Total	7	

* statement from adviser who provides philanthropic strategies
Unmarked: statement from adviser who does not provide philanthropic strategies

5.11 Reasons not to engage in philanthropy

Advisers were in greater agreement about why the affluent do *not* give. There were three primary reasons identified, as Figure 26 shows. In general, the affluent do not engage in philanthropy because:

1. They want to pass their assets onto children (approximately 75% of all advisers in agreement);
2. They have not thought about it (almost 70% of all advisers in agreement), and
3. They were uncertain how to give (nearly 60% of all advisers in agreement).

More advisers who assist clients with philanthropy supported each of the reasons suggested for not giving. However, the patterns of response between the two types of adviser were similar.

There were two differences between the two types of adviser; both relate to high net worth clients' assessment of their own situations:

- Over half the advisers who provide philanthropic advice believed that high net worth individuals do not give because they believed they needed the money for themselves, in contrast to only a third of advisers not providing philanthropic advice (52 and 32%, respectively).

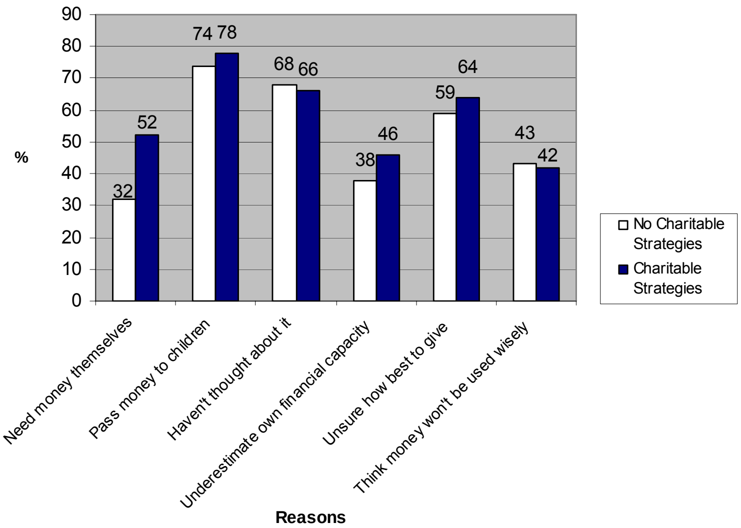
- Almost one half the advisers who provide philanthropic strategies for clients believed that high net worth individuals do not give because they underestimate their financial capacity to do so, in contrast to just over a third of advisers who do *not* provide such strategies (46 and 38%, respectively).

Findings show fewer than half of all advisers thought the following potential client barriers were important:

- believing that money would not be used wisely by the nonprofit;
- believing their financial capacity precluded it; and
- believing they needed the money themselves (only by advisers who do *not* develop philanthropic strategies).

Figure 26: Key reasons that high net worth clients do NOT engage in philanthropy – from the adviser's perspective.

Note: the percentage of advisers nominating each category is on left axis. (N =103).



Overall, findings indicate that Australian advisers have shifted their views since 2002: they attach more importance on individuals not having thought about philanthropy and being uncertain about the best way to go about it.

These concerns reflect growing affluence and an increased capacity to give by high net worth individuals. More than ever before, the spotlight is now on how nonprofits approach individuals to give and the suitability of strategies they adopt. Of course, this situation may change again if the economy takes a sudden downturn and defensive positions are adopted by clients and advisers.

5.11.1 Qualitative findings

Advisers were asked for any additional reasons why high net worth individuals do *not* give and only four useable comments were received: participants expected the government to meet community needs, were unsure how to give tax-effectively and needed to keep assets in the family. See Figure 27 for adviser comments.

Figure 27: Qualitative comments on why the affluent are not philanthropic

Categories	No of comments	What advisers said
Government is or should be meeting need	2	*'They expect the government to handle it.'** *'They believe an honourable approach to paying taxation is sufficient donation to the community. In other words they see this as largely the role of the government.'*
Clients lack strategies	1	*'They are not aware of the ways it can be done tax-effectively.'**
Personal/family need	1	*''[They] wish to provide for [their] spouse and keep it in the family.'*
Total	4	

* Statement from adviser who provides philanthropic strategies
Unmarked: statement from adviser who does not provide philanthropic strategies

5.12 Resources wanted by advisers

Both types of adviser wanted resources relating to philanthropy. The main difference between them was that advisers who provide philanthropic strategies were interested in a wider range of resources and demand was higher than for advisers not providing such strategies.

It is interesting that *all six* proposed resources[19] sounded valuable to the majority of advisers who develop philanthropic strategies. Over half of these advisers wanted:

- An overview of philanthropic options (wanted by 80% of advisers);
- Case studies (wanted by 78%);
- Updates and developments (70%);
- Sample documents (60%); and
- Advice from peers (52%).

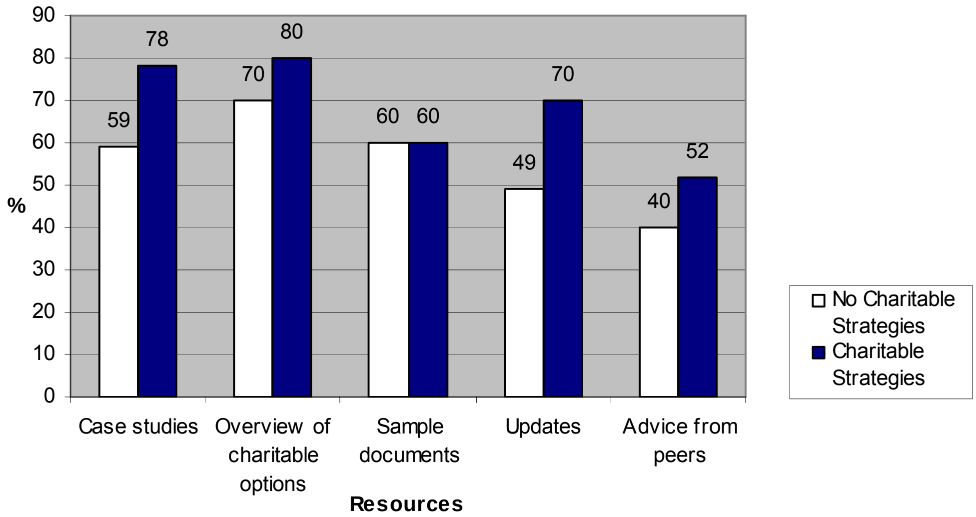
[19] Different types of resources were suggested by previous research (TPI, 2000 and CPNS, 2004).

In particular, two resources stand out as most wanted, as Figure 28 shows: the **overview** of philanthropic options which would give the big picture of available strategies, and **case studies** which would show how strategies were developed to meet clients' needs and interests.

Results were similar for advisers who do *not* develop philanthropic strategies. Their top three wanted resources were:

1. An overview of philanthropic options (70% of these advisers wanted this);
2. Case studies (59%); and
3. Sample documents (60%).

Figure 28: Resources wanted by professional advisers.
Note: the percentage of advisers nominating each category is on left axis. (N = 103).



Thus foundational documents were preferred over more fluid, on-going information resources such as updates and developments about philanthropy whereas advice from peers was deemed valuable by fewer than 50% of these advisers (49% and 40%, respectively). Their lesser appeal makes sense if advisers are not actively assisting clients. They are potentially more intrusive and time-consuming for advisers who may wish to build knowledge in their own time.

(Interestingly, there is still a group of advisers *not* currently providing philanthropic advice who feel they could use all six resources. This wider interest in resources points to some important differences between advisers who do not provide such advice. Further qualitative research would help to tease out these differences. More specifically, research could explore adviser perceptions of all these resources, how they could be tailored to make them as useful as possible and the role that nonprofit organisations could play in the provision of resources. It would also be helpful to identify why support drops off for some resources - updates, sample documents and advice from peers - and what could be done to make these resources as appealing as possible to this group.)[20]

Overall, results indicate demand exists for several resources relating to philanthropy and that advisers who do and do not provide philanthropic advice overlap in their interests. Further, demand may be understated because advisers generally may be

[20] See Section 6.5.

hesitant to nominate a resource as likely to be useful as it depends upon the detail. As noted, there may be other differences between advisers that explain findings and further qualitative research will be helpful to determine key characteristics in any resources that may be developed.

These findings build upon previous research which showed a range of resources would be helpful, including seminars and training. While different questions were asked, making direct comparisons difficult, there appears to increasing interest in philanthropic resources by advisers. Nevertheless, this study's findings confirm earlier findings that not all resources are suitable for all advisers.

5.12.1 Qualitative findings

To complement these findings, advisers were asked for additional suggestions or comments about resources and again just four useable responses were received. As Figure 29 shows, these related to tax, reliable advice from credible sources and non-threatening information. A further two comments reflect adviser constraints more generally.

Figure 29: Qualitative comments on resources

Category	No. of comments	What advisers said
Need tax information	2	*'[It would be helpful to have] access to appropriate tax advice as support…'** *'Tax benefits [for philanthropy]'**
Solid advice	1	*'Advice from trusted advisors [would be helpful]'**
Non-threatening information	1	*'Such as [on] website[s].'*
Limited in our ability to advise	1	*'As a bank…we are not allowed to give tax or legal advice but refer our clients to experts that we are comfortable will do a professional job.'*
No client demand	1	*'Such advice is NEVER sought.'*
Total	6	

*from adviser who provides philanthropic strategies
Unmarked: from adviser who does not
◊ type of adviser not able to be determined

5.13 Capacity to provide philanthropic advice

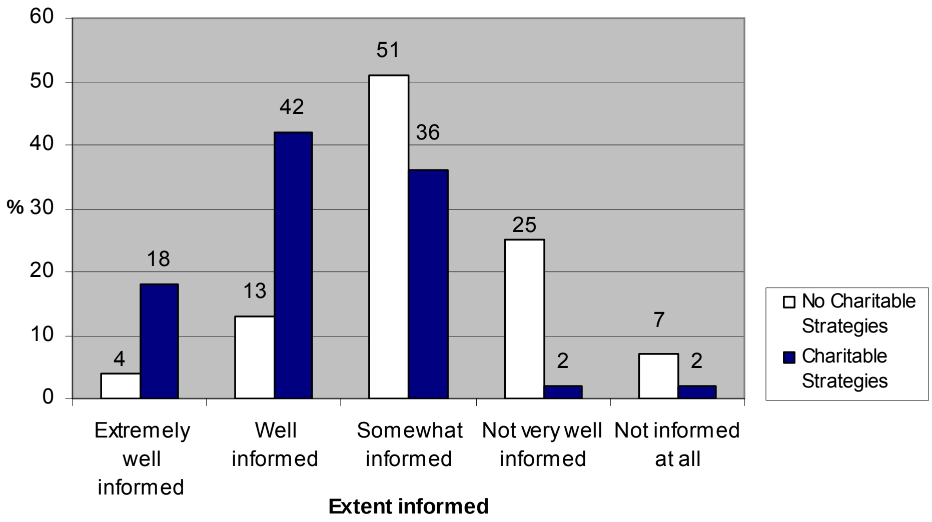
It is not surprising to find that advisers who develop philanthropic strategies for clients believed they were considerably better informed, on average, about giving such advice than advisers who did not. Perhaps what is surprising is there is a group of these active advisers who feel under-informed, as Figure 30 shows. This is not to suggest that advisers are giving philanthropic advice without being informed but that they want access to more information.

One in four advisers assisting clients with philanthropy describe themselves as only somewhat informed at best (40%). Indeed, fewer than 20% of advisers assisting clients with philanthropy believed themselves to be extremely well informed. This highlights the need for additional resources, training and support for this group.

Generally, advisers who do not advise clients about philanthropy rate themselves poorly for their knowledge about the topic. It was the rare adviser who felt well informed or better (17%). A third of all advisers in this group felt either not very well informed or not informed at all (32%). The majority believed they were only partly informed about providing such advice (51%).

Thus there was a substantial difference between those who did develop philanthropic strategies and those who did not, in terms of feeling informed to do so.

Figure 30: How well informed advisers are to provide philanthropic advice.
Note: the percentage of advisers nominating each category is on left axis. (N = 103).



5.14 Interest in providing philanthropic advice

Findings here show **strong interest** in providing philanthropic advice by both types of adviser and, thus, a sizeable opportunity for advisers to grow their services in the philanthropic area.

As Figure 31 shows, few advisers *reluctantly* assisted clients with their philanthropic giving, with only 4% saying they were not interested in providing this kind of advice. In total, one in ten of those providing philanthropic strategies was lukewarm about doing so.

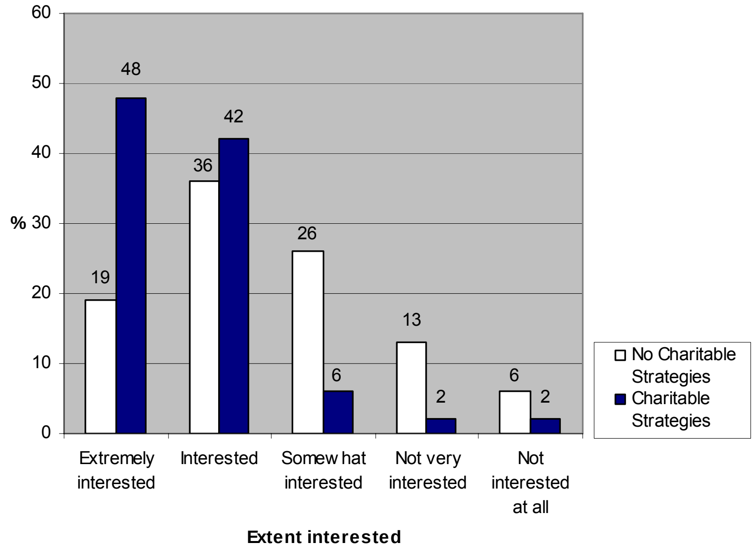
In contrast, nine out of ten advisers who provide philanthropic strategies for clients report being happy to do so, claiming to be either interested or extremely interested in doing so (42 and 48% respectively). Thus almost half of all advisers helping clients with their philanthropic interests take the most positive position in relation to it.

An overwhelming number were interested in expanding services in this area: nearly 20% of advisers not providing such advice said they were *extremely* interested in doing so, with an additional 62% at least somewhat interested in doing so. In total, over 80% of advisers not currently advising about philanthropic strategies were at least somewhat interested to provide such a service.

Thus, the findings from this study point to a marked increase in interest by advisers to provide clients with philanthropic advice since the initial Australian adviser study.

While adviser interest in assisting clients with philanthropy was not directly probed, that study concluded that their interest was latent not overt.

Figure 31: Interest by professional advisers in providing philanthropic advice
Note: the percentage of advisers nominating each category is on left axis. (N = 103).



5.14.1 Qualitative findings

To provide more insight into the adviser perspective, advisers were asked to complete the sentence, ‘I would be more interested in providing philanthropic advice *if*….’ This question generated a rich set of ideas of what advisers felt would help them progress in the provision of philanthropic advice (listed in full in Appendix 3).

Changes that advisers wanted included:

- To fit philanthropic services neatly into their business model, for example, ‘*an easy system with which to advise, implement and monitor’* and *‘an approach that was adopted by my firm.’*

- To discuss philanthropy in easy and stress-free ways, for example, *‘a successful way of communicating and raising the issue with clients in a non-confrontational way’* and ‘[for] *philanthropic giving [to be] a more visible part of our service offering and clients [to have] an expectation that we should ask them about it.*

- To have signs of client demand, for example, *‘if I believed clients wanted such advice’, ‘the client need was strong, and ‘[to feel] they would respond positively.’*

- To be familiar with the full range of strategies and options open to clients, for example, *‘[to] know more about it’* and *‘more information about the options for clients’.*

- To be confident that recommendations will suit different client circumstances, for example, '*a greater understanding of the process and other advisers had shown the process working' and 'someone to assist me through the first 2-3 sales.'*

- For themselves and their clients to be confident that money given would be put to good use, for example, '*funds would be put to good use and not abused' and 'to see a great benefit materialise…'* and *'more aware of the benefits of doing so.'*

5.15 Demographic differences between types of adviser

A correlation was found between the provision of philanthropic advice by advisers and **personal giving**:

- 57% of advisers who developed philanthropic strategies to their high net worth clients personally gave substantially (in their opinion) to community causes;

- 62% of advisers who did not develop philanthropic strategies to their high net worth clients did not personally give substantially (in their opinion) to community causes

There were few other differences in the demographic profile of the two types of adviser. For instance, in both profiles, respondents were predominantly male, aged between 30 and 59 years old, and described themselves as financial advisers. In the 2002 study, there were insufficient numbers of advisers providing philanthropic strategies to allow comparison.

5.16 Summary

Findings paint a picture with both advantages and disadvantages for those who see a positive intermediary role for professional advisers in assisting clients interested in giving to community causes.

With regard to disadvantages, despite an increase in interest by some advisers, philanthropy still appears to be a 'no-go zone' for many professional advisers in Australia. In addition, clients interested in philanthropy may not raise the topic with advisers. Advisers generally believed relatively few high net worth clients use a private trust or foundation (including PPFs), a community foundation or a trust company such as Perpetual Trustees or ANZ Trustees. As well, only a minority of advisers are referring clients interested in philanthropy to others outside the advisory firm for complementary assistance with philanthropy.

With regard to advantages:

- There is evidence of an increase in **interest** by advisers to provide affluent clients with philanthropic advice, with extremely strong interest by some;

- There is a group of advisers **actively** providing philanthropic strategies to high net worth clients and a group wanting to do more in this area;

- There were not huge barriers seen by advisers in providing such advice but there was general concern about being able to advise clients **well**. Many wanted to be better informed and more able to meet client needs in this area. Advisers also commonly were hesitant to discuss philanthropy with clients in case of a **negative reaction**;

- Advisers generally agreed on three **reasons** to provide philanthropic advice to clients: (1) it could reduce a client's tax obligation, (2) it could contribute to client satisfaction, and (3) giving was seen to be a worthwhile thing to do. Moreover, it appears support is growing for why advisers might assist clients with philanthropy;

- Advisers generally agreed that a main trigger for the affluent to be philanthropic was having **passion** for a cause or organisation (caring deeply about someone or something). As far as giving barriers go, the largest was seen to be that people wanted to pass on their wealth to their **children**. However, they also believed that people had not really thought about giving and, also, they were uncertain *how* to give. Few believed that a major reason that the affluent held back from giving because they were concerned that their money would not be used wisely;

- There appears to increasing interest in philanthropic **resources** by advisers. In particular, two resources were wanted: an overview of philanthropic options and case studies.

5.16.1 Different types of adviser

There were key differences to emerge **between** advisers who do develop philanthropic strategies for clients ('active advisers') and those who do not ('passive advisers')

The Active Adviser differs from the **Passive Adviser** in these 15 ways:

Behaviour

1. Is likely to develop philanthropic strategies for interested high net worth clients;

2. Is likely to ask their high net worth clients about their philanthropic interests as part of the standard information gathering audit about client needs and interests (65% ,compared to almost 28% of others);

3. Is unlikely to wait for their clients to raise the topic of philanthropic giving *before* discussing it with them (72% did *not* wait, compared to 28% of others);

4. Is likely to discuss philanthropic giving with a higher proportion of their clients (30% discussed giving with 80% or more of clients, compared to the majority of others who discussed giving with 10% or fewer of clients);

5. Is more likely to refer clients to others outside their firm for additional assistance (42%, compared to 11% of others);

6. Is more likely to have clients using private trusts or foundations (with approximately 25% reporting more than 10% of clients using any one of these, compared to approximately 10% of others);

7. Is more likely to personally engage in substantial philanthropic giving themselves (57%, compared to 33% of others).

Attitudes

8. Is likely to feel they are informed about their clients' interest in giving (almost 60% of these advisers believed they were well informed or better, compared to only 10% of those who do not develop such strategies);

9. Is likely to be motivated by a vision of client service that embraces philanthropic advice (54% of these advisers, compared to 17% of advisers who do not develop such strategies);

10. Is unlikely to believe that providing philanthropic strategies is outside their job description (62% compared to 17% of advisers who do not develop such strategies);

11. Is likely to believe clients are motivated by wanting to improve the community and by spiritual or religious values (nearly 90% of these advisers compared to 32% of advisers not developing such strategies, and nearly 70% and 49%);

12. Is likely to explain reticence in giving because the high net worth felt they needed the money themselves (52% of these advisers, compared to 32% who do not develop such strategies);

13. Is likely to want a mix of philanthropic resources (the majority of these advisers wanted five resources while the majority of advisers who do not develop such strategies wanted three);

14. Is likely to feel informed about philanthropic options (only 4% of these advisers describing themselves as not very well informed at best, compared to 32% of advisers who do not develop such strategies);

15. Is more likely to be extremely interested in doing so, than advisers not providing such strategies (48% and 19%, respectively).

6.0 Discussion

6.1 How Australian advisers compare with those overseas

This research suggests that a group of financial and legal advisers in Australia has caught up to their U.S. and U.K. counterparts in their interest in, and provision of, advice to clients about their philanthropic contributions. Advisers generally have moved upwards from a very low level of interest in the past three years, compared to advisers in the U.S and the U.K. who have been developing interest over the past decade.

Overall, Australian advisers are still reluctant to offer such advice, mainly because they do not see it as their role or they lack information or skills. This is also shown in overseas research (The Giving Campaign, 2001, 2003, 2004; TPI, 2000). Also, on a less than positive note, Australian advisers perceive the use of philanthropic vehicles by clients as low, which is not necessarily the case overseas. They also did not commonly refer clients to other experts outside their firm: this was far less common than for the U.S., particularly California (TPI, 2004).

Like U.S. and U.K. advisers, those here want to know more about philanthropic options and customising philanthropic advice to a client's personal circumstances.

The extent to which they feel informed about philanthropic advice is not high, on average, and may be lower than advisers elsewhere.

The majority of Australian advisers want to see a small set of resources that show the range of options available to clients and examples of solutions that meet client needs. This is similar to overseas findings. However, there was less support for one-on-one support and regular updates. For this reason, a 'softly-softly' approach by those wishing to provide education and support to advisers is recommended, with options available at the discretion of individual advisers. This reticence is not necessarily seen in studies from overseas; U.S. advisers seem the most enthusiastic while the British appear similar to Australians. Cultural and tax system differences help to explain this.

On a positive note, Australian advisers can see *why* their high net worth clients might want to give, and these reflect overseas findings. (In the U.S., there is greater importance given to having a family giving tradition and to religious affiliations, which is not surprising as both are stronger in that country).

Moreover, in explaining clients who do not engage in substantial philanthropic giving, Australian advisers have changed their views in recent years to give more importance to clients not really giving the idea of philanthropy much thought. They also believed that clients are unsure about how to give in satisfactory ways. Both of these 'barriers' are surmountable. As well, client's believing themselves unable to afford it was still an issue but to a lesser extent. This augurs well for the future, and generally reflects U.S. and U.K. trends.

As noted, more Australian advisers who develop philanthropic strategies to high net worth clients in Australia described themselves as engaging in substantial philanthropic giving themselves, than did advisers not providing such strategies. This result is in line with Johnson (2000) who found, in a U.S. study, that a significant majority of advisers who actively discuss philanthropy with their clients see themselves as philanthropic.

Overall, this survey also suggests that at least two types of professional adviser exist in relation to their attitudes and behaviour relating to providing philanthropic advice (see the next section for this discussion): the active and the passive adviser. Moreover, there were differences found within each of these types. For example, within the 'active' adviser category - those who provide philanthropic or philanthropic strategies for clients - some appeared more committed and saw fewer barriers than others.

Within the passive adviser category, some were highly interested in becoming active in this area and wanted skills and information to assist them, in contrast to others more lukewarm about the idea. There is support for differentiating advisers' attitudes and behaviour, with Johnson (2000) suggesting three adviser types in the U.S. (see Section 2.2). The main difference is that this study suggests *two* categories of adviser who sit between those who are highly active and see no barriers to providing philanthropic assistance, on one hand, and those who are passive and concerned that it is not their role to proactively explore client interests, on the other (while Johnston shows one). This is discussed further in the next section.

6.2 A potential model of adviser orientation

As discussed in Section 5.16.1, by analysing the responses of the two types of adviser, differences between advisers who provide philanthropic strategies (‘active advisers’) and advisers who do not (‘passive advisers’) can be distinguished.

Further, findings suggest that there may be **different types of active adviser**, based on the following:

- The extent to which advisers are proactive in discussing philanthropy with clients;
- Their willingness to refer clients to others outside the advisory firm who may be able to assist with a client’s engagement in philanthropy;
- Perceived demand for bequests by high net worth clients;
- The extent to which they felt informed about providing philanthropic strategies to clients;
- The extent to which barriers are perceived in assisting clients with philanthropy;
- The extent to which they felt constrained by possible negative reaction by clients in raising philanthropy in discussions with them.

Similarly, there may be **differences amongst passive advisers** (who do *not* provide philanthropic strategies for clients), in the following areas:

- The extent to which advisers discussed philanthropic giving with their clients;
- Perceived demand for bequests by high net worth clients;
- The extent to which getting a potentially negative client reaction is perceived as a barrier to assisting clients with philanthropy;
- Concern that developing philanthropic strategies for clients is outside their professional role;
- The extent to which low financial incentives is perceived as a barrier to assisting clients with philanthropy;
- The resources that are wanted.

Thus, it is possible that four distinct types of advisers may exist. **Active** advisers may be distinguished between those who are highly proactive and see few, if any, barriers to providing philanthropic advice, and those who are at least somewhat hesitant and in need of information/support in assisting clients. **Passive** advisers may be distinguished between those who have a strong desire to actively provide such advice yet lack necessary information and skills, and those who are moderately interested in the topic but prefer a passive approach. However, more research is required to differentiate between these advisers’ behaviour, attitudes and needs in relation to the provision of philanthropic advice.

Based on this study's findings, a tentative four-cell matrix of adviser orientation is hypothesized (shown in Figure 32). Its four cells are:

- **The 'uninvolved'** – passive advisers who are somewhat interested in providing philanthropic advice but prefer to wait for the client to raise it first, and to provide advice about tax implications of giving rather than to assist clients with developing strategies that fit a client's values. This group is concerned about whether their professional role lends them to be proactive in providing this type of assistance;

- **The 'inspired'** – passive advisers who have strong interest in providing philanthropic advice but lack the information, skills and the support to do so. They are passive mainly because they want to provide only quality advice to their clients, whatever the area. They are willing to be more active if they can find a way of doing so that fits within their business practice;

- **The 'uncommitted'** – active advisers who have the capacity to provide philanthropic advice but are unsure about some aspects of doing so. That is, they generally have information, skills and support to advise about philanthropy but some hesitancy exists. They value good client relations and do not wish to damage a relationship by appearing to 'push' philanthropy on clients. They want to see client interest before proceeding with discussions with clients. Generally, they have some interest in providing philanthropic advice but it is tempered by their concerns.

- **The 'strategists'** – active advisers who are enthusiastic about providing philanthropic advice to interested clients and have the capacity to do so. They are confident in taking an active role with clients and see it as adding value to the client relationship. They see no barriers to providing philanthropic advice.

In sum, two key factors that influence adviser behaviour are indicated: advisers' level of interest in providing philanthropic advice to clients and the extent to which they are passive or active in doing so. Advisers may be positioned in one of the four cells, according to their orientation towards the provision of philanthropic advice. This model is recommended for further refinement and testing.

Figure 32: A potential model of adviser orientation for the provision of philanthropic advice

	Passive	**Active**
High Interest	The inspired	The strategists
Some interest	The uninvolved	The unconvinced

6.3 Implications of the research

6.3.1 The advisory sector

Findings suggest that the advisory sector needs:

1. Increased training opportunities, especially units/modules that build financial and legal advisers' skills in advising clients about philanthropy in integrated, pedagogically sound courses;[21]

2. Formal recognition by ASIC for philanthropic training in financial adviser certification program/s;

3. Resources for use by all professional groups, especially an overview of philanthropic options and case studies showing options that meet a variety of personal circumstances;

4. Research into the unique needs and interests of different professional groups, with the support of professional associations, for example, the preferences and priorities of specific groups to training, resources and communication regarding the provision of philanthropic advice;

5. The development of a best practice 'tool kit' tailored to the needs of specific professional adviser groups, providing access to a range of resources such as relevant on-line articles and interviews, examples and cases, templates, training and networking opportunities.

6.3.2 Intermediaries

Findings suggest that nonprofit organisations, government bodies, professional associations and other intermediaries interested in fostering the availability of quality financial and legal advice for donors need to:

1. Encourage giving by advisers: those who gave themselves were far more likely to provide such advice to their clients;

2. Recognise that advisers differ in their desire to provide philanthropic advice, and experience different barriers in doing more. This has implications for the kind of issues raised with distinct adviser audiences, channels used for communication, the arguments made and nature of evidence provided, likely attention span and sources that will be most credible to them;

3. Identify the kind of adviser or adviser group/s they are wishing to engage, by either direct or indirect feedback, to guide both their communication and resource/ training/support activities;

4. Explore the potential to develop a simple research instrument to identify the type/s of adviser being targeted as efficiently as possible. This may be best achieved by working collaboratively, in conjunction with researchers;

[21] A training session for advisers that may be of interest is accessible at QUT's Centre of Philanthropy and Nonprofit Studies website www.cpns.bus.qut.edu.au (go to BS39 Prescribed Private Funds – Critical Issues for Advisers) or https://olt.qut.edu.au/bus/bs39/.

5. Set appropriate objectives for any program being devised, whether outcomes sought are for changed adviser behaviour, attitudes or feelings/emotions (or a mix of these). For example, objectives need to be both realistic and relevant for each adviser type and should provide the most valuable outcome for the expenditure of time and money;

6. Utilise appropriate ‘enablers’ and ‘reinforcers’ in any program being devised, to provide maximum support for any desired changes by advisers. For example, what will help advisers shift in their behaviour, attitudes or feelings? What will help them to keep acting or thinking in the desired ways?;

7. Develop resources, training and other support options in close liaison with the adviser audiences for whom they are intended, at formative, creative execution and evaluation stages. Also take into account the differences between advisers by offering choice of information and timing.

Further research will provide additional insight into different types of advisers, making these decisions easier.

6.3.3 Further research

Further research is strongly recommended to **better understand the differences between** advisers in relation to assisting clients with philanthropy, with the aim of informing philanthropic resource development and support for advisers. In the first instance, qualitative research (such as focus groups and in-depth interviews) is needed to provide further insight into the findings of this study. This research would, for example, probe the gaps between where advisers are and where they would like to be, the barriers holding them in place and the strategies that will allow barriers to shrink. Findings will guide the efforts of government, advisory firms, nonprofit organisations and intermediary bodies as interested parties to the provision of philanthropic advice to clients.

This qualitative research project will play an important part in identifying the variables to be tested quantitatively in a model of adviser orientation to the provision of philanthropic advice. Once this has been completed, new quantitative research (a survey) can be designed to test this initial model of financial behaviour in relation to providing philanthropic advice. Findings will allow this **model to be refined** and, in turn, inform strategies to foster professional advice about philanthropy.

Also valuable will be research that is complementary to that outlined above.

1. Research with **high net worth individuals** about their experiences with professional advisers, especially financial advisers;

2. Research with **financial advisers and other professionals with a mixed client base**, that is, ordinary financial advisers.

Finally, the **existing study** will ideally be repeated, so that trends can be identified over time. Now that a sizeable proportion of advisers are developing philanthropic strategies for their clients, questions could also be asked about the type of planning service they provide (such as whether they take a transactional or longer-term/values-based planning approach) and the characteristics of clients who receive philanthropic advice. Such aspects have been addressed in overseas studies but not yet in Australia. These are pertinent for advisers, as well as those who wish to support the provision of quality philanthropic advice for donors.

7.0 Conclusion

This paper investigates Australian financial and legal advisers' attitudes to philanthropic planning with high net worth clients, and the extent to which they engage in it. In particular, it asks six research questions, building upon the first Australian study, conducted by CPNS in 2002:

1. To what extent do professional advisers assist clients with philanthropy?
2. To what extent do advisers perceive their clients engaging in philanthropy?
3. What are the attitudes of advisers to assisting clients with philanthropy?
4. How do advisers perceive the attitudes of clients who engage in philanthropy, or not?
5. What resources are seen as most helpful to advisers for assisting clients with philanthropy?
6. What, if any, factors are important in distinguishing between advisers who do, or do not, assist clients with philanthropy?

Findings show advisers are now far more active in providing philanthropic advice to their high net worth clients than previously. While they perceive relatively low levels of interest by these clients in philanthropy, advisers who develop philanthropic strategies generally report more usage of philanthropic vehicles and stronger client interest than advisers who do not develop such strategies. They are increasingly conscious that many clients had not really thought about giving or that they were uncertain how to give.

While there is a high level of interest by advisers in providing philanthropic assistance, real concerns exist amongst some as to whether this is within their professional role and amongst others about how to provide such advice. Many felt under-prepared to assist their high net worth clients in this way. Two key resources that advisers wanted to see were an overview of philanthropic options and case studies where a client's needs were matched to philanthropic solutions.

Finally, data allowed a statistical comparison of advisers who provide philanthropic strategies for their interested clients with those to do not, to show that significant differences exist in their attitudes towards providing philanthropic assistance and in their behaviour with clients. Evidence suggests that four types of professional adviser may exist, based on their level of interest in providing philanthropic advice and the extent to which they are active in dealing with their client's philanthropic interests.

In conclusion, this study represents a significant step forward in appreciating the perspective of Australian advisers, and how they differ in providing advice to their affluent clients interested in philanthropy. Findings offer a solid platform for further investigation of the needs of each type of professional adviser.

References

ACOSS (2005) *Australian Community Sector Survey,* Australian Council of Social Services, Paper 138, Sydney.

AMP (2003) Wealth and Inheritance*, AMP.NATSEM Income and Wealth Report,* Issue 5, June.

Asia-Pacific Centre for Philanthropy and Social Investment (2004) *How the Wealthy Give: Comparisons between Australian and Comparable Countries (USA, Britain and Canada)*, Swinburne University of Technology, Melbourne, October. http://www.msnsw.org.au/Version4_2002/docs/publications/pdf/Wealthy_Aussies.pdf, accessed 13 January 2006.

Asia-Pacific Centre for Philanthropy and Social Investment (2005) *Encouraging Wealthy Australians to be more Philanthropic: A Report for the Petrie Foundation.* Swinburne University of Technology, Melbourne, February. http://www.partnerships.gov.au/pdf/PetreSecondProject.pdf, accessed 13 January 2006.

Australian Taxation Office (2003) *Selected Items by Age, Sex, Taxable Status and Grade of Taxable Income, Figures from the 1999-2000 Financial Year*, supplied by request to the Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane.

Benapudi, N., Singh, S. and Benapudi, V. (1996) Enhancing Helping Behaviour: An Integrative Framework for Promotion Planning, *Journal of Marketing*, July, Vol.60, 33-49.

Blackhurst, C. (2005) God and the money men, *The Tablet* http://www.thetablet.com.uk/cgi-bin/archieve_db.cgi/tablet-01060 (accessed 13 January 2006).

Breiteneicher, J. (1996) Advisor’s enthusiasm helps to shape client’s philanthropic role, *Trust & Estates*, 135(9), 29-34.

Bremner, R.H. (1991) *Giving: Charity and philanthropy in history.* New Brunswick, Canada: Transaction.

Burrill, J.H. (2001) The Effects of Estate Tax ‘Repeal’ on Philanthropy, *Trusts & Estates*, 140 (10), 20.

Business Week (2004) *The greatest gifts of all*, Editorial, November 29, New York.

Centre of Philanthropy and Nonprofit Studies (CPNS) (2004) *Tax Deductible Giving in 2000-01, Current Issues Information Sheet 2004/02,* Brisbane.

Cohen, T. (2002) Advisers focus on donor values, *Philanthropy Journal,* AJ Fletcher Foundation, June 19.

Cugliari, C. W. (2005) *A post-positivist qualitative study of philanthropic donors to Appalachian Ohio,* Doctoral Dissertation, Graduate School, Ohio State University.

Gerloff, P. (2003) Wealth Transfer in an Age of Affluence: An Interview with Paul Schervish, *More than Money Journal*, April, 5-9.

Gonski, D. (2005) *Speech to FPA 2005 National Conference*, Financial Planning Association of Australia, Gold Coast, November 17.

Havens, J. J., Schervish, P. G. and O'Herlihy. M. A. (2003) *2003 Survey of Planned Giving Vehicles*, Social Welfare Research Institute, Boston College, Boston.

Havens, J. J. and Schervish, P. G. (2003) *Why the $41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions*, Social Welfare Research Institute, Boston College, Boston.

Joffe, J. (Lord) (2001) *Speech to the ICFM Convention,* The Giving Campaign, 17 July, www.givingcampaign.org.uk/news (accessed 22 August, 2002).

Johnson, S. P. (2000) Advancing Philanthropy: Tapping the potential of legal and financial advisors, *Trusts & Estates*, Summer Supplement.

Johnson, P. D., Johnson, S. P. and Kingman, A. (2004) *Promoting Philanthropy: Global Challenges and Approaches, Paper 3*, Bertelsmann Foundation.

Karoff, H.P. (1994) The Advisor's Role in Philanthropy: A new direction, *Trusts & Estates*, 133 (4), 47-50.

Kelly, S. (2002) Simulating Future Trends in Wealth Inequality, *Paper presented to the 2002 Annual Conference of Economists*, Adelaide, South Australia, October.

Lyons, M. (1994) *The Institutionalisation of Philanthropy in Australia and Prospects for Change,* Working Paper No. 21, Centre for Australian Community Organisations and Management, Sydney, December.

Madden, K. (2004) 2002 Study of the Financial Adviser's Role in Philanthropy, Working Paper No CPNS25, Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane.

Merrill Lynch/Capgemini (2005) *The World Wealth Report*, 9th Annual Report by Merrill Lynch & Co, Inc. and Capgemini Global Financial Services, http://www.us.capgemini.com/DownloadLibrary/DownloadPDF.asp (accessed 9 January 2006).

MORI Research (2001) *Lack of information stopping financial advisers making the most of tax-efficient giving*, http://www.mori.com/polls/2001/giving.shtml (accessed 5 January 2006).

MORI Research (2002) *Taxing Issues: Financial advisors are not making the most of tax-efficient giving,* http://www.mori.com/pubinfo/mco/taxing-issues.shtml (accessed 5 January 2006).

Pepin, J. (2005) Venture capitalists and entrepreneurs become venture philanthropists, *International Journal of Nonprofit and Voluntary Sector Marketing*, London, Vol. 10 (3), 165-174.

Prince, R. A. (1998) Philanthropic market is huge opportunity, *National Underwriter*, 102 (43), 53-54.

Rooney, P.M. and Tempel, E.R. (2001) Repeal of the estate tax and its impact on philanthropy, *Nonprofit Management & Leadership*, 12 (2), 193-211.

Schervish, P.G. (2002) The New Philanthropists, *The Boston Globe*, March 3, D8.

Schmidt, L. (2005) Satisfaction Guaranteed, Charter, 76, 2, March, 44-46.

Stone, D. and McElwee, J. (2004) *What California Donors Want In Their Own Voices*, National Centre for Family Philanthropy, Washington D.C.

The Australian Financial Review (2006) *We're much better off – we just don't realise it*. 19 January, 6.

The Economist (2001) *Survey: The New Rich - Giving something back*, London, 14 June, 15.

The Economist (2004) *Doing Well and Doing Good,* http://www.economist.com (accessed 2 August, 2004).

The Giving Campaign (2001a) *Advice Worth Giving? A Summary of a MORI Survey on the Role of Financial Advisers and Related Professionals*. Providing Client Advice on Philanthropic Giving, London.

The Giving Campaign (2001b) Lack of Information Stopping Financial Advisers Making The Most of Philanthropic Giving, 19 October, www.givingcampaign.org.uk (accessed 13 January 2006).

The Giving Campaign (2003) *Charity Financial Products: A New Approach to Giving*, London.

The Giving Campaign (2004) *A Wealth of Opportunity: How the Affluent Decide the Level of their Donations to Charity*, March, London.

The Institute for Philanthropy (2003) *Report of a Seminar on the Role of the Financial Adviser in Encouraging Philanthropy*, 29 April. http://www.instituteforphilanthropy.org.uk/sum4.html (accessed 13 January 2006).

The Institute of Chartered Accountants in Australia (2003) *'Not for profit' reports need to satisfy key stakeholders*, ICAA News Release, May 7, www.icaa.com.au (accessed 13 January 2006).

The Prime Minister's Community Business Partnership (2005) *Giving Australia: Research on Philanthropy in Australia,* Department of Family and Community Services, Australian Government, October.

The Philanthropic Initiative, Inc. (TPI) (2004) *Doing Well by Doing Good - The California Legal and Financial Advisor's Role*, Boston.

Thorn, C. (2005) *Personal Conversation* between C. Thorn of Goldman Sachs JB Were, Melbourne and K. Madden, Centre of Philanthropy and Nonprofit Studies, Queensland University of Technology, Brisbane.

Van Hyfte, L. (1996) Plan on Giving, *CA Magazine,* Canadian Institute of Chartered Accountants, Toronto, November, pp.23-24.

Weems, C. (2002) Wealth advisers have a big opportunity in philanthropic giving, *Trusts and Estates*, 141 (3), 56.

Appendix 1: Questionnaire used in the study.

(Note: some format changes were made for on-line presentation.)

CONFIDENTIAL

Centre of Philanthropy and Nonprofit Studies

The Professional Adviser's Role in Philanthropy:

A Study of Australian Advisers to High Net Worth Individuals

Welcome! This study comes at a time of great wealth for many Australians. Indeed, due to the expected intergenerational transfer of wealth over the next few decades, the wealth held by some individuals and families will be substantial.

This survey is one of the first Australian studies to identify the views and experiences of professional advisers towards advising clients about planned giving.

Your input is critical to us, whatever your position with regard to this topic. To say thank you, we will send you a summary of our findings.

We recognize your time is valuable and we have kept this survey as short as possible. Also, your responses are completely confidential: we de-identify responses as soon as they are received and only use responses in an aggregated form for demographic comparisons. Also, we are not asking sensitive client information.

If you have any queries at any time, please feel free to contact Project Leader Dr Kym Madden at k.madden@qut.edu.au, tel. 07 3864 8051.

Important information.

- This survey is designed for all financial advisers, accountants, private bankers, lawyers, financial planners and insurance consultants who commonly counsel high net worth (HNW) clients. **HNW** is defined as having investible assets of over $2.5million or an annual gross income of over $250,000 for at least two years.

- The terms 'philanthropic giving' and 'philanthropy' are being used interchangeably in this survey. They refer to substantial financial support for non-profit organizations that promote community 'good' e.g. welfare, the arts and education.

START HERE

1. **In the past year, approximately how many high net worth (HNW) clients have you advised?** (As a reminder, **HNW** is defined as having investible assets of over $2.5million or an annual gross income of over $250,000 for at least two years.)

   0-20

   20-50

   50-80

   Over 80

2. **Do you ask clients about their philanthropic interests or intentions in your standard needs / client profile?**

Yes No Do not use one

3. **Do you personally agree or disagree with this statement?**

"I normally only discuss philanthropic giving if the client raises it first."

Agree Disagree

4. **With what percentage of your HNW clients have you discussed philanthropic giving?**

10% or fewer

Between 10 and 40%

Between 40 and 80%

Over 80%

5. **Do you normally develop strategies for HNW clients interested in philanthropic giving?**

Yes No Not applicable

6. **Do you refer HNW clients to external advisers to assist them with their philanthropic giving?**

Yes, I have done so No Not applicable

7. **As far as you know, what percentage of your HNW clients use the following avenues for philanthropic giving?** (Please respond for each)

a. Private foundation including a Prescribed Private Fund (PPF) or philanthropic trust governed by trustees including your clients themselves

5% or fewer

Between 10 and 20%

Between 20 and 30%

Over 30%

b. Community foundation or donor-advised fund

5% or fewer

Between 10 and 20%

Between 20 and 30%

Over 30%

c. Trust company e.g. Perpetual Trustees, ANZ Trustees

5% or fewer

Between 10 and 20%

Between 20 and 30%

Over 30%

8. **As far as you know, what percentage of your HNW clients intend to make a substantial philanthropic bequest or create a trust/foundation on their death?**

   5% or fewer

   Between 10 and 20%

   Between 20 and 30%

   Over 30%

9. **How informed generally would you describe yourself about your HNW clients' interest in philanthropic giving?**

   Answer options: Extremely well informed, Well informed, Somewhat informed, Not very well informed, Not informed at all

10. **Below are a number of motivations that underpin advisers' interest in providing advice about philanthropic giving. Rate how important each reason is for you personally to provide such advice, whether or not you do so at the moment.** (Please answer for each, using the scale provided.)

    1. Provision of this kind of advice should be part of our overall service.

    Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

    2. By planning wisely, philanthropic giving can reduce taxes.

    Answer options Extremely important, Important, Somewhat important, Not very important, Not important at all

    3. People can find a lot of satisfaction in giving.

    Answer options Extremely important, Important, Somewhat important, Not very important, Not important at all

    4. It is important for people to make a difference if they can.

    Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

    5. The client may have limited family ties or no obvious beneficiaries

    Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

11. **Below are a number of barriers or reasons that advisers DO NOT advise clients about philanthropic giving. Rate how important each reason is for you personally.** (Please answer for each, using the scale provided.)

1. It's not my job to discuss it

Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

2. I am unsure of how best to meet needs in this area

Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

3. There is little financial incentive for me to do so

Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

4. The client may react negatively

Answer options: Extremely important, Important, Somewhat important, Not very important, Not important at all

5. Other: please indicate ______________________(short answer space)

12. What do you believe are the key reasons that HNW individuals DO engage in substantial philanthropic giving? (Please mark as many as apply.)

They have religious or spiritual motivations

They want to improve their community

They care greatly about a cause, issue or institution

They want to create a legacy

They have no or little family

They have already looked after personal and family needs

They are asked and can afford it

Other: please indicate ______________________(short answer space)

13. What do you believe are the key reasons that HNW individuals do NOT engage in substantial philanthropic giving? (Please mark as many as apply.)

They believe they may need the money themselves

They want to pass on their money to their children

They haven't really thought about it e.g. may be too busy

They underestimate their financial capacity

They may be unsure of how best to do this e.g. may be undecided what to do

They don't think their money will be used wisely by charities

Other: please indicate______________________(short answer space)

14. **Below are a number of resources that can assist in providing advice to clients about philanthropic giving. Which of these resources would personally be useful to you?** (Please mark all that apply.)

Case studies
An overview of philanthropic options
Sample documents e.g. to establish a private foundation
Updates on developments in philanthropic giving
Advice from peers

Other: please indicate______________________(short answer space)

15. **How informed would you describe yourself generally about providing philanthropic giving advice to clients?**

Answer options: Extremely well informed, Well informed, Somewhat informed, Not very well informed, Not informed at all

16. **To what extent are you personally interested in providing advice to HNW clients about philanthropic giving, whether you currently do so or not?**

Answer options: Extremely interested, Interested, Somewhat interested, Not very interested, Not interested at all

17. **Please complete: "I would be more interested in assisting HNW clients with philanthropic planning if…**

____

(long answer space)

Finally, may we have some demographic information for critical comparisons?

18. **Your gender?**
Male Female

19. **Your age group?**
Under 30

30-39

40-49

50-59

60-69

Over 69

20. **Do you personally engage in substantial philanthropic giving?**

Yes No

21. **In which city or town do you work?**

Sydney

Melbourne

Canberra

Brisbane

Adelaide

Hobart

Perth

Darwin

Other: please indicate______________________(short answer space)

22. What best describes your professional role?

Accountant

Financial adviser

Private Banker

Financial planner

Family/Estate Lawyer

Insurance adviser

Other: please indicate______________________(short answer space)

That's all. A sincere thank you for your valuable input!

By completing and returning this survey you are indicating that you:

- Have read the information provided and understand the nature of this project;
- Have had any questions answered to your satisfaction;
- Understand that if you have any additional questions you may contact the Chief Investigator or Research Assistant;
- Understand that you are free to withdraw your offer of participation at any time, without comment or penalty;
- Understand that you can contact the researchers or the Secretary of the University Human Research Ethics Committee (07 3864 2902) if you have concerns about the ethical conduct of the project.

Thank you! SUBMIT

Chief Investigator:
Dr Kym Madden
Centre of Philanthropy and Nonprofit Studies
Faculty of Business, Queensland University of Technology
Email: k.madden@qut.edu.au
Ph: 07 3864 8051, Fax: 07 3864 9131

Research Assistant:
Ms Kathryn Crissman
Centre of Philanthropy and Nonprofit Studies
Faculty of Business, Queensland University of Technology
GPO Box 2434, Brisbane Q. 4001
Email: k.crissman@qut.edu.au
Ph: 07 3864 9282, Fax: 07 3864 9131

Appendix 2: Additional comments on recruiting participants for this study

Based on previous experience by the research team and the agreement of external advisers who had expressed interest in the survey, it was determined that advisers would be most likely to participate if requested to do so by someone or a group of people they knew and respected professionally. In brief, to penetrate this relatively difficult to reach group, a personal approach was adopted, supported by promotion of the survey by professionals within their working or support environments which we have called 'networks' for the purpose of this survey.

This approach resulted the circulation of the survey invitation email (with click-through to the survey URL) within a wide variety of advisory firms in different Australian states, plus referrals from one adviser to another. Invitations to participate were also circulated through the news and endorsement of professional associations in the financial and legal advisory field. In this way, participation was enlisted through the use of personal invitations by telephone and email, endorsed by professionals in their networks.

The feasibility of this approach was assisted by: the nature of the research institution (University rather than a commercial entity), the assurance of complete anonymity, easy access to the survey on-line, the survey's brevity, the newness of such a study in Australia and the promise of access to findings on the CPNS website. As well, this was one of the first studies of its kind in Australia and thus was not an overworked research topic amongst the target group.

On the downside, the topic was well outside the traditional role of the adviser. The initial Australian study suggested that there was not a high level of interest in providing such advice nor did advisers do much in the way of assisting clients with their giving (Madden, 2004). In addition, in 2005 advisers were grappling with increased compliance requirements in providing financial advice which in turn increased the demands on their time and may have distracted them, even if their intention was to participate in the survey.

It was observed that a number of those invited to participate in the survey did not do so, on the basis that more invitations were extended than completed surveys were received. The extent of this refusal rate is unknown due to the difficulty of independently monitoring the extent to which the promised circulation by advisers to other advisers did occur. Nevertheless, refusals may be explained by the belief by some advisers that this was not a relevant topic to them (that is, they did not provide philanthropic advice and were not interested in doing so) and by the busy nature of the adviser's work which may have left little time to complete the survey.

Appendix 3: Qualitative comments by advisers on what would increase their interest in providing philanthropic advice to clients

Over half of the advisers who do *not* develop philanthropic strategies for clients voluntarily provided specific ideas of would increase their interest in providing this service (52%, as well as 43% of advisers who do provide this assistance now).

The following categories of narratives were identified amongst those advisers who **do not** currently develop such strategies for their HIGH NET WORTH clients

Theme	**Quotes in response to: 'I would be more interested in assisting HIGH NET WORTH clients IF….**
Easy and stress-free ways	*'I can establish a simple system for ongoing contributions to charities.'* *'I was more comfortable with the conflict between assisting needy people raise money (which I don't see as our business) and the desire to get paid for managing the funds.'*
Confident recommendations suit	*'I had a greater understanding of the process and other advisers had shown the process working.'* *'I had seen a great benefit materialise after assisting in running a PPF or other benefit over a number of years.'* *'If I had someone assist me through the first 2/3 sales.'* *'There was more information readily available about the options for clients.'*
Client demand	*'I believed clients wanted such advice. My many years of experience indicate it would be considered impertinent and inappropriate for such advice to be preferred unless it is sought; which it never is. HIGH NET WORTH individuals know what they want.'* *'I felt they would respond positively. It is extraordinary how people with so much give so little and yet some think they are giving a lot when they donate less than 0.1% of their wealth. I think Australians are not as philanthropic as they should be.'* *'I believed they are interested or there are tax advantages.'*
Familiar with full range of strategies	*'I knew more about it.'* *'I was more aware of the benefits of doing so.'* *'I was more informed.'* *'I had a clear understanding of the benefits that flow to the client and hence the secondary benefit to the adviser.'* *'I could give a direct benefit to THEM! i.e., they could see their money at work.'*
Access to contacts, resources, information	*'We made philanthropic giving a more visible part of our service offering and clients had an expectation that we should ask them about it.'*

Incorporated in the business model	*'It was an approach adopted by my firm.'* *'It was easy to provide such advice - ie: there was support from my dealer group to give such advice.'* *'My Employer encouraged it.'* *'The ASIC regulations allowed greater room to provide this advice.'*
Additional comments	*'I feel I am well supported now - however I should be more proactive in raising the issue.'* *'I didn't lose current funds under management.'* *'I have appointed an individual to develop and manage philanthropic services for the business; so I am interested in assisting clients with philanthropic giving.'* *'I was advising on a substantial portfolio of investments. Time constraints may also be an issue.'* *'It is important for Financial Advisers because they can be involved in the management of the assets set aside for philanthropic reasons.'* *'My children were older and I had more free time.'*

The following categories of narratives were identified amongst those advisers who currently develop philanthropic strategies for their HIGH NET WORTH clients

Theme	**Quotes in response to: 'I would be more interested in assisting HIGH NET WORTH clients if….**
Easy and stress-free ways	*'A stress free methodology was available - both for adviser! They do not want to be perceived as scrooge if they do not participate.'* *'I could find a successful way of communicating and raising the issue with clients in a non-confrontational way.'* *'We had an easy system with which to advise and implement and monitor it.'*
Confident recommendations suit	*'There was a simple process that required as little time as possible from the client perspective.'* *'There was a concise document providing an overview of the options available to the clients which summarised the benefits personally and to the community of philanthropic giving.'*
Client demand	*'Increased awareness by clients via broker research & website followed by personal discussions.'* *'The client need was strong.'*
Money to good use	*'They could be quite sure that the funds they are leaving behind will be put to good use and not abused.'* *'There was a freely available scorecard on different charities listing such things as percentage of income provided to donees - i.e., wastage - plus examples of their projects in a standardised 2 or 3 page format plus other relevant info.'*

Familiar with full range of strategies	*'General background information on available options and benefits to clients were readily available.'* *'I was more confident about the subject matter and how it would suit a clients circumstances. Peer group discussions including tax advisers and financial advisers with experience in this field would be particularly helpful from my perspective.'*
Access to contacts, resources, information	*'I was able to demonstrate to them the range of options available in giving in this manner and the social value of their prospective charity.'* *'Philanthropic organisations actively promoted it to the public.'*
Incorporated in the business model	*'I could develop a strategy to integrate into my business model.'* *'We could provide the service in house by National Australia Trustees - currently use EY; Deloitte or external lawyer.'*
Additional comments	*'I am interested; this is just one of the many issues which are always addressed with all clients on a case by case basis.'* *'Hard to be more motivated as working in this area is a major part of our Practice emphasis.'* *'We already alert clients to their options in this regard and assist where possible.'* *'We already have embraced this strategic dimension in our estate services. See www.plan4life.com.au.'*